

**CITY OF LEXINGTON,  
TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2016**

# CITY OF LEXINGTON, TENNESSEE

## ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

### TABLE OF CONTENTS

<b>INTRODUCTORY SECTION</b>	<b>Page</b>
Roster of Publicly Elected Officials and Management Officials . . . . .	1
<b>FINANCIAL SECTION</b>	
<b>Independent Auditor's Report.</b> . . . .	2 – 3
<b>Management's Discussion and Analysis</b> . . . . .	4 – 9
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position . . . . .	10
Statement of Activities . . . . .	11
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet . . . . .	12
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position . . . . .	13
Statement of Revenues, Expenditures, and Changes in Fund Balances Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities . . . . .	14 15
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – General Fund . . . . .	16 - 21
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – General Purpose School Fund . . . . .	22 - 28
<b>Proprietary Funds:</b>	
Statement of Net Position . . . . .	29
Statement of Revenues, Expenses, and Changes in Net Position . . . . .	30
Statement of Cash Flows . . . . .	31
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position . . . . .	32
Statement of Changes in Fiduciary Net Position . . . . .	33
<b>Notes to Basic Financial Statements</b> . . . . .	34 – 75
<b>Required Supplementary Information:</b>	
Schedules of Changes in Net Pension Liability and Related Ratios . . . . .	76
Schedules of Plan Contributions . . . . .	77
Schedule of Investment Returns . . . . .	78
Notes to Required Supplemental Information . . . . .	79

Schedule of Proportionate Share of Net Pension Asset – Teacher Legacy Plan of TCRS . . . . .	80
Schedule of Contributions – Teacher Legacy Plan of TCRS . . . . .	81
Schedule of Proportionate Share of Net Pension Asset – Teacher Retirement Plan of TCRS . . . . .	82
Schedule of Contributions – Teacher Retirement Plan of TCRS . . . . .	83

**Other Supplemental Information:**

<b>Combining Financial Statements – Non-Major Governmental Funds:</b>	
Combining Balance Sheet . . . . .	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances . . . . .	85
<b>Statement of Changes in Assets and Liabilities – All Agency Funds . . . . .</b>	<b>86</b>
<b>Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:</b>	
State Street Aid Fund . . . . .	87
School Tax Fund . . . . .	88
School Food Service Fund . . . . .	89
Solid Waste Collection Fund . . . . .	90
Dare Fund . . . . .	91
E-citation Fund . . . . .	92
Police Drug Fund . . . . .	93
Debt Service – Sinking Fund . . . . .	94
Debt Service – School Debt Fund . . . . .	95
Capital Projects – Post Office Fund . . . . .	96
<b>Schedule of Changes in Property Taxes Receivable . . . . .</b>	<b>97</b>
<b>Schedule of Long-Term Debt Requirements</b>	
General Long-Term Debt . . . . .	98
Water Systems . . . . .	99
Natural Gas Fund . . . . .	100
Lexington Electric Department . . . . .	101
<b>Schedule of Outstanding Delinquent Taxes Filed With Chancery Court . . . . .</b>	<b>102</b>
<b>Schedule of Utility Rates in Force . . . . .</b>	<b>103 – 104</b>
<b>Schedule of Expenditures of Federal Awards and State Financial Assistance . . . . .</b>	<b>105</b>
<b>AWWA WLCC Free Water Audit Software: Reporting Worksheet - “Unaudited” . . . . .</b>	<b>106</b>
<b>AWWA WLCC Free Water Audit Software: System Attributes and Performance Indicators - “Unaudited” . . . . .</b>	<b>107</b>

**INTERNAL CONTROL AND COMPLIANCE SECTION**

<b>Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> . . . . .</b>	<b>108 – 109</b>
<b>Independent Auditor’s Report On Compliance for Each Major Program And On Internal Control Over Compliance Required by OMB Circular A-133 . . . . .</b>	<b>110 – 111</b>
<b>Schedule of Prior Audit Findings . . . . .</b>	<b>112</b>
<b>Schedule of Findings and Questioned Costs . . . . .</b>	<b>113 – 115</b>
<b>Corrective Action Plan . . . . .</b>	<b>116 – 117</b>

**CITY OF LEXINGTON, TENNESSEE**

**ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT OFFICIALS**

**JUNE 30, 2016**

**PUBLICLY ELECTED OFFICIALS**

David Jowers	Mayor
Jeff Griggs	Vice-mayor
Emmitt Blankenship	Alderman
John Casselberry	Alderman
Peggy Gilbert	Alderman
Jack Johnson	Alderman
Gordon Wildridge	Alderman
Sandra Wood	Alderman

**MANAGEMENT OFFICIALS**

Sue Wood	CMFOA Designee
Michael Harper	Utility General Manager





**Independent Auditor's Report**

To the Mayor and City Aldermen  
City of Lexington  
Lexington, Tennessee 38351

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee, (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the the financial statements of the Lexington Electric System, which is both a major fund and 59%, 58%, and 81% respectively, of the assets, net position, and revenues of the business-type activities.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lexington Electric System, which represent 59%, 58%, and 81% respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included for Lexington Electric System, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 4.G., the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No 73*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress on pages 4 through 9 and pages 76 through 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that which has been marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the combining and individual nonmajor fund financial statements and schedules, and other supplemental information, except for that which has been marked "unaudited", are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, the AWWA Free Water Audit Software: Reporting Worksheet, and the AWWA Free Water Audit Software: System Attributes and Performance Indicators – "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

March 31, 2017



**CITY OF LEXINGTON, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

Our discussion and analysis of the City of Lexington, Tennessee, will offer readers of the City's financial statements a narrative overview and review of the financial activities of the City for the fiscal year ended June 30, 2016. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 10 and 11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts as a trustee or agent for the benefit of those outside of the government.

**Reporting the City as a Whole**

**The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 10. The following is one of the most important questions asked about the City's finances, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *statement of net position* presents financial information on all of the City's assets, liabilities, deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows of future fiscal periods.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the general administration, police, fire, public works, health, welfare, and recreation, economic development and debt service. Property taxes, local sales taxes, and state shared revenue finance most of these activities.
- Business-type activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's gas, water and sewer, and electric operations are reported here.

Our analysis of the City's major funds begins on page 12. The fund financial statements begin on page 12 and provide detailed information about the most significant funds (not the City as a whole). Some funds are required to be established by State law. However, the City Board establishes other funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- *Governmental Funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary Funds* – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

**The City as Trustee** – The City maintains two types of fiduciary funds for which it is the trustee or fiduciary. The agency fund is used to account for student activity of the local city school. The pension trust fund accounts for pension contributions, benefits, and distributions. Both of these funds are reported in a separate Statement of Fiduciary Net Position page 32, and the Statement of Changes in the Fiduciary Net Position for the Pension Trust fund is on page 33. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 - 75.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 76 - 83 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 84 - 96 of this report.

## **THE CITY AS A WHOLE**

Net position may serve over time as a useful indicator of government's financial position. In the case of the City of Lexington, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$77,953,616 at June 30, 2016.

**CITY OF LEXINGTON'S NET POSITION**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 9,175,904	\$ 8,248,221	\$ 23,936,185	\$ 25,200,275	\$ 33,112,089	\$ 33,448,496
Capital Assets	27,849,326	27,799,361	72,930,862	70,916,267	100,780,188	98,715,628
Total Assets	<u>37,025,230</u>	<u>36,047,582</u>	<u>96,867,047</u>	<u>96,116,542</u>	<u>133,892,277</u>	<u>132,164,124</u>
Deferred outflows of resources	<u>1,757,750</u>	<u>421,272</u>	<u>2,001,807</u>	<u>688,791</u>	<u>3,759,557</u>	<u>1,110,063</u>
Long term liabilities	12,355,542	13,167,697	35,979,777	34,472,741	48,335,319	47,640,438
Other liabilities	898,036	403,689	6,160,981	6,745,702	7,059,017	7,149,391
Total liabilities	<u>13,253,578</u>	<u>13,571,386</u>	<u>42,140,758</u>	<u>41,218,443</u>	<u>55,394,336</u>	<u>54,789,829</u>
Deferred inflows of resources	<u>4,061,638</u>	<u>3,859,991</u>	<u>242,244</u>	<u>752,958</u>	<u>4,303,882</u>	<u>4,612,949</u>
Net Position:						
Net investment in capital assets	18,192,360	17,074,058	45,081,925	43,208,326	63,274,285	60,282,384
Restricted	337,701	281,891	1,272,138	1,265,269	1,609,839	1,547,160
Unrestricted	2,937,703	1,680,528	10,131,789	10,122,932	13,069,492	11,803,460
Total Net Position	<u>\$ 21,467,764</u>	<u>\$ 19,036,477</u>	<u>\$ 56,485,852</u>	<u>\$ 54,596,527</u>	<u>\$ 77,953,616</u>	<u>\$ 73,633,004</u>

There were prior period adjustments to net position that affected the Business-Type Activities. For additional information see Note 4.I.

**Governmental Activities**

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

**Business-type Activities**

The changes in business-type activities net position are described below:

- The City's Gas System had an increase in net position of \$9,167 which is compared to an increase in the prior year of \$523,192. This decrease was primarily due to decreased natural gas sales.
- The City's Water Systems Fund had an increase of net position of \$1,645,233 compared to an increase in the prior year of \$1,167,129. This change is primarily due to increased capital contributions.
- The City's Electric Department had an increase in net position of \$4,033 compared to an increase in the prior year of \$1,293,111.

The following table provides a summary of the City's operations for the year ended June 30, 2016, with comparative totals for the year ended June 30, 2015.

**CITY OF LEXINGTON'S CHANGES IN NET POSITION**

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>TOTAL</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>						
<b>Program Revenues</b>						
Fees, fines and charges for services	\$ 1,552,681	\$ 1,571,514	\$ 56,381,620	\$ 59,272,550	\$ 57,934,301	\$ 60,844,064
Operating grants and contributions	8,158,914	8,117,664	-	-	8,158,914	8,117,664
Capital grants and contributions	337,481	140,049	1,228,151	833,641	1,565,632	973,690
<b>General revenues:</b>						
Property taxes	2,139,603	2,166,712	-	-	2,139,603	2,166,712
In-lieu of property taxes	103,532	101,860	-	-	103,532	101,860
Public service taxes	142,294	138,976	-	-	142,294	138,976
Sales taxes	4,659,244	4,529,820	-	-	4,659,244	4,529,820
Pension income	-	12,391	-	-	-	12,391
Investment earnings	50,855	55,924	97,606	119,512	148,461	175,436
Gain(loss) on sale of capital assets	32,426	221,825	2,925	5,031	35,351	226,856
Insurance recoveries	-	6,106	43,552	52,451	43,552	58,557
Miscellaneous	167,754	112,163	106,925	105,524	274,679	217,687
<b>Total revenues</b>	<b>17,344,784</b>	<b>17,175,004</b>	<b>57,860,779</b>	<b>60,388,709</b>	<b>75,205,563</b>	<b>77,563,713</b>
<b>Expenses:</b>						
<b>General government and administration</b>						
	431,838	1,114,533	-	-	431,838	1,114,533
<b>Public safety</b>						
	3,049,644	2,947,037	-	-	3,049,644	2,947,037
<b>Public works</b>						
	1,912,864	1,870,586	-	-	1,912,864	1,870,586
<b>Health, Welfare and Recreation</b>						
	10,243,036	9,974,979	-	-	10,243,036	9,974,979
<b>Economic development</b>						
	67,446	85,921	-	-	67,446	85,921
<b>Interest on long-term debt</b>						
	270,305	292,956	-	-	270,305	292,956
<b>Bond issue costs</b>						
	-	-	-	-	-	-
<b>Paying agent fees</b>						
	1,128	1,246	-	-	1,128	1,246
<b>Water Systems</b>						
	-	-	5,335,959	5,377,228	5,335,959	5,377,228
<b>Natural Gas</b>						
	-	-	4,982,400	6,108,478	4,982,400	6,108,478
<b>Electric Department</b>						
	-	-	44,818,939	44,859,605	44,818,939	44,859,605
<b>Total expenses</b>	<b>15,976,261</b>	<b>16,287,258</b>	<b>55,137,298</b>	<b>56,345,311</b>	<b>71,113,559</b>	<b>72,632,569</b>
<b>Increase (decrease) in net position before transfers</b>						
	1,368,523	887,746	2,723,481	4,043,398	4,092,004	4,931,144
<b>Transfers</b>						
	1,065,048	1,059,966	(1,065,048)	(1,059,966)	-	-
<b>Increase (decrease) in net position</b>	<b>2,433,571</b>	<b>1,947,712</b>	<b>1,658,433</b>	<b>2,983,432</b>	<b>4,092,004</b>	<b>4,931,144</b>
<b>Net position at beginning of year, as originally stated</b>						
	19,036,477	19,943,995	54,596,527	55,083,776	73,633,004	75,027,771
<b>Restatement - GASB 68</b>						
	-	(2,852,788)	230,892	(3,470,681)	230,892	(6,323,469)
<b>Inventory adjustment</b>						
	(2,284)	(2,442)	-	-	(2,284)	(2,442)
<b>Net position at beginning of year, as restated</b>	<b>19,034,193</b>	<b>17,088,765</b>	<b>54,827,419</b>	<b>51,613,095</b>	<b>73,861,612</b>	<b>68,701,860</b>
<b>Net position at end of year</b>	<b>\$ 21,467,764</b>	<b>\$ 19,036,477</b>	<b>\$ 56,485,852</b>	<b>\$ 54,596,527</b>	<b>\$ 77,953,616</b>	<b>\$ 73,633,004</b>

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$5,955,697 which is 5.6% above last year's total of \$5,642,902.

The following schedule presents a summary of general, special revenues, debt service and capital project revenues and expenditures for the fiscal year ended June 30, 2016, and the amount and percentage of increases and decreases in relation to the prior year.

<b>Revenues</b>	<b>June 30, 2016</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from June 30, 2015</b>
Taxes	\$ 6,207,091	36.13%	\$ 24,316
Intergovernmental	9,217,153	53.64%	172,146
Licenses and permits	16,544	0.10%	6,937
Charges for services	1,032,951	6.01%	46,030
Fines and forfeitures	204,637	1.19%	(55,692)
Other revenues	503,649	2.93%	39,221
<b>Total Revenues</b>	<b>\$ 17,182,025</b>	<b>100.00%</b>	<b>\$ 232,958</b>

Intergovernmental revenue increased in the current year due to grant receipts.

<b>Expenditures</b>	<b>June 30, 2016</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from June 30, 2015</b>
General government	\$ 1,063,515	5.92%	\$ 35,041
Public Safety	2,827,227	15.74%	73,962
Public Works	1,722,924	9.59%	37,658
Health, welfare, and recreation	9,548,342	53.15%	(89,853)
Economic development	67,446	0.38%	(18,475)
Capital outlay	1,390,296	7.74%	275,486
Debt Service	1,344,124	7.48%	(480)
<b>Total Expenditures</b>	<b>\$ 17,963,874</b>	<b>100.00%</b>	<b>\$ 313,339</b>

Capital outlay is increased due to the receipt of capital assets through a grant program.

### General Fund Budgetary Highlights

Over the course of the year the School System revised the budget at various times during the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 2015, the City had \$100,780,188 invested in a broad range of capital assets, including police and fire equipment, buildings, parks facilities, water and sewer lines, natural gas lines, electric plant and equipment, and various other equipment. This amount represents a net increase (including additions and deductions) of \$2,064,560, or 2.1% over the prior year. Additional information on capital assets is in Note 3.C.

**Debt**

At year-end, the City had \$37,505,904 in outstanding long-term debt compared to \$38,945,388 last year. Of the total outstanding debt 26% belongs to the Governmental funds, 6% to the Gas Fund, 30% to the Water Systems Fund, and 38% to the Electric Department.

See Note 3.G for additional information.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City at 33 1<sup>st</sup> Street, Lexington, Tennessee.

Sue Wood  
City Recorder



**CITY OF LEXINGTON, TENNESSEE**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,495,868	\$ 17,851,192	\$ 23,347,060
Investments	-	141,395	141,395
Receivables:			
Property taxes	2,235,895	-	2,235,895
Accounts receivable, net of allowance	17,131	3,484,853	3,501,984
Grant receivables	536,290	37,322	573,612
Other receivables	14,397	179,239	193,636
Internal balances	(218,243)	218,243	-
Due from other governments	906,028	-	906,028
Inventory	22,025	622,224	644,249
Natural gas storage	-	364,206	364,206
Prepaid expenses	166,513	151,564	318,077
Other assets	-	885,947	885,947
Capital assets:			
Land and construction in progress	2,211,766	1,524,821	3,736,587
Other capital assets, net of depreciation	25,637,560	71,406,041	97,043,601
<b>TOTAL ASSETS</b>	<b>37,025,230</b>	<b>96,867,047</b>	<b>133,892,277</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension contributions	584,653	2,001,807	2,586,460
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	535,568	4,798,505	5,334,073
Customer deposits	-	1,050,404	1,050,404
Unearned revenue	362,468	-	362,468
Compensated absences	-	312,072	312,072
Long-term liabilities:			
Advances from Home Installation Program	-	430,327	430,327
Other post employment benefits	-	1,133,795	1,133,795
Net Pension liability	1,410,010	4,521,283	5,931,293
Landfill closure costs	216,464	-	216,464
Compensated absences	1,072,102	2,045,435	3,117,537
Due within one year	1,104,734	3,086,849	4,191,583
Due in more than one year	8,552,232	24,762,088	33,314,320
<b>TOTAL LIABILITIES</b>	<b>13,253,578</b>	<b>42,140,758</b>	<b>55,394,336</b>
<b>DEFERRED INFLOWS OF REVENUES</b>			
Unavailable revenue - property taxes	2,124,966	-	2,124,966
Deferred inflows - pensions	763,575	242,244	1,005,819
	<u>2,888,541</u>	<u>242,244</u>	<u>3,130,785</u>
<b>NET POSITION</b>			
Net investment in capital assets	18,192,360	45,081,925	63,274,285
Restricted for:			
State Street Aid Fund	57,258	-	57,258
E-citation	9,419	-	9,419
School Food Service	145,093	-	145,093
Solid Waste Collection	44,147	-	44,147
Police Drug Fund	81,784	-	81,784
Debt service	-	1,272,138	1,272,138
Unrestricted	2,937,703	10,131,789	13,069,492
<b>TOTAL NET POSITION</b>	<b>\$ 21,467,764</b>	<b>\$ 56,485,852</b>	<b>\$ 77,953,616</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Program Activities	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General Government	\$ 431,838	\$ 132,833	\$ -	\$ 479	\$ (298,526)	\$ -	\$ (298,526)
Public Safety	3,049,644	207,957	103,881	306,511	(2,431,295)	-	(2,431,295)
Public Works	1,912,864	914,816	420,276	-	(577,772)	-	(577,772)
Health, Welfare and Recreation	10,243,036	297,075	7,634,757	14,298	(2,296,906)	-	(2,296,906)
Economic Development	67,446	-	-	16,193	(51,253)	-	(51,253)
Interest on long-term debt	270,305	-	-	-	(270,305)	-	(270,305)
Paying agent fees on long-term debt	1,128	-	-	-	(1,128)	-	(1,128)
<b>Business-type activities:</b>							
Gas Fund	4,982,400	5,032,735	-	-	-	50,335	50,335
Water Systems Fund	5,335,959	5,789,406	-	1,228,151	-	1,681,598	1,681,598
Electric Department	44,818,939	45,559,479	-	-	-	740,540	740,540
<b>Total business-type activities</b>	<b>55,137,298</b>	<b>56,381,620</b>	<b>-</b>	<b>1,228,151</b>	<b>-</b>	<b>2,472,473</b>	<b>2,472,473</b>
<b>Total government</b>	<b>\$ 71,113,559</b>	<b>\$ 57,934,301</b>	<b>\$ 8,158,914</b>	<b>\$ 1,565,632</b>	<b>(5,927,185)</b>	<b>2,472,473</b>	<b>(3,454,712)</b>
General revenues:							
Taxes:							
Property					2,139,603	-	2,139,603
In-lieu of taxes					103,532	-	103,532
Public service taxes					142,294	-	142,294
Sales					4,659,244	-	4,659,244
Investment earnings					50,855	97,606	148,461
Gain (loss) on sale/retirement of capital assets					32,426	2,925	35,351
Insurance recoveries					-	43,552	43,552
Miscellaneous					167,754	106,925	274,679
Transfer in- in lieu of taxes					1,065,048	(1,065,048)	-
					<b>8,360,756</b>	<b>(814,040)</b>	<b>7,546,716</b>
					<b>2,433,571</b>	<b>1,658,433</b>	<b>4,092,004</b>
Net position - beginning, as originally stated					19,036,477	54,596,527	73,633,004
Prior period adjustment					-	230,892	230,892
Inventory adjustment - school food service fund					(2,284)	-	(2,284)
Net position - beginning, as restated					19,034,193	54,827,419	73,861,612
Net position - ending					<b>\$ 21,467,764</b>	<b>\$ 56,485,852</b>	<b>\$ 77,953,616</b>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General	General Purpose School Fund	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,444,505	\$ 955,937	\$ 1,095,426	\$ 5,495,868
Taxes receivable	2,235,895	-	-	2,235,895
Accounts receivable	17,131	-	-	17,131
Grant receivable	195,932	81,208	259,150	536,290
Other receivables	474	-	13,923	14,397
Inventory	-	-	22,025	22,025
Due from other governments	562,865	65,024	278,139	906,028
Due from other funds	1,754	-	50,406	52,160
Prepaid expenses	147,884	-	18,629	166,513
<b>TOTAL ASSETS</b>	<b>\$ 6,606,440</b>	<b>\$ 1,102,169</b>	<b>\$ 1,737,698</b>	<b>\$ 9,446,307</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 220,771	\$ 17,000	\$ 27,567	\$ 265,338
Accrued expenses	127,897	93,595	5,931	227,423
Unearned revenue - other	-	-	362,468	362,468
Advance from other fund	237,407	-	-	237,407
Due to other funds	32,568	-	428	32,996
<b>TOTAL LIABILITIES</b>	<b>618,643</b>	<b>110,595</b>	<b>396,394</b>	<b>1,125,632</b>
<b>DEFERRED INFLOWS OF REVENUES</b>				
Unavailable revenue - grants	129,083	-	-	129,083
Unavailable revenue - property taxes	2,235,895	-	-	2,235,895
<b>TOTAL DEFERRED INFLOWS OF REVENUES</b>	<b>2,364,978</b>	<b>-</b>	<b>-</b>	<b>2,364,978</b>
<b>FUND BALANCE</b>				
Nonspendable				
Inventory	-	-	22,205	22,205
Prepaid expenses	147,884	-	18,629	166,513
Restricted for:				
State street aid	-	-	57,258	57,258
E-citation	-	-	9,419	9,419
School food authority	-	-	145,093	145,093
Drug fund	-	-	81,784	81,784
Solid Waste Collection	-	-	44,147	44,147
Assigned				
Special revenue funds	-	-	434,425	434,425
Education	-	364,000	-	364,000
Support services	-	130,000	-	130,000
Capital projects	-	100,000	528,344	628,344
Unassigned				
General fund	3,474,935	-	-	3,474,935
General purpose school fund	-	397,574	-	397,574
<b>TOTAL FUND BALANCES</b>	<b>3,622,819</b>	<b>991,574</b>	<b>1,341,304</b>	<b>5,955,697</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF REVENUES AND FUND BALANCES</b>	<b>\$ 6,606,440</b>	<b>\$ 1,102,169</b>	<b>\$ 1,737,698</b>	<b>\$ 9,446,307</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET**  
**POSITION**  
**JUNE 30, 2016**

Total fund balance - total governmental funds	\$	5,955,697
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		27,849,326
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		110,929
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes		-
Net pension liability is not recorded on governmental fund balance sheet but is recorded for government-wide purposes		(1,410,010)
Deferred revenues on governmental funds		129,083
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		(178,922)
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes.		(42,807)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		<u>(10,945,532)</u>
Net position of governmental activities	\$	<u>21,467,764</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016

	General	General Purpose School Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes				
Property taxes	\$ 2,138,353	\$ -	\$ -	\$ 2,138,353
Penalty and interest	13,509	-	-	13,509
In lieu of taxes	13,537	-	-	13,537
Sales	1,625,911	-	1,354,927	2,980,838
Beer tax	391,381	-	-	391,381
Business	350,988	-	-	350,988
Liquor tax	-	-	141,609	141,609
Franchise	142,294	-	-	142,294
Hotel/motel tax	31,849	-	-	31,849
Privilege	2,733	-	-	2,733
Intergovernmental revenues	1,372,857	7,190,550	653,746	9,217,153
Licenses and permits	16,544	-	-	16,544
Charges for services	162,832	-	870,119	1,032,951
Fines, forfeits, and penalties	142,894	-	61,743	204,637
Other revenues	163,728	94,059	245,862	503,649
<b>Total revenues</b>	<b>6,569,410</b>	<b>7,284,609</b>	<b>3,328,006</b>	<b>17,182,025</b>
<b>Expenditures</b>				
Current:				
General government	1,063,515	-	-	1,063,515
Public safety	2,804,731	-	22,496	2,827,227
Public works	944,710	-	778,214	1,722,924
Health, welfare, and recreation	515,767	8,397,341	635,234	9,548,342
Economic development	67,446	-	-	67,446
Capital outlay	682,348	93,570	614,378	1,390,296
Debt service:				
Principal payments	87,707	45,232	934,926	1,067,865
Interest payments	51,123	10,348	213,660	275,131
Other debt costs	350	-	778	1,128
<b>Total expenditures</b>	<b>6,217,697</b>	<b>8,546,491</b>	<b>3,199,686</b>	<b>17,963,874</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>351,713</b>	<b>(1,261,882)</b>	<b>128,320</b>	<b>(781,849)</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,160,998	1,063,000	1,001,116	3,225,114
Transfers out	(709,705)	-	(1,450,361)	(2,160,066)
Proceeds from sale of general capital assets	29,655	-	2,225	31,880
<b>Total other financing sources (uses)</b>	<b>480,948</b>	<b>1,063,000</b>	<b>(447,020)</b>	<b>1,096,928</b>
<b>Net Change in Fund Balances</b>	<b>832,661</b>	<b>(198,882)</b>	<b>(318,700)</b>	<b>315,079</b>
<b>FUND BALANCE AT BEGINNING OF YEAR, as originally stated</b>	<b>2,790,158</b>	<b>1,190,456</b>	<b>1,662,288</b>	<b>5,642,902</b>
<b>Inventory adjustment</b>	<b>-</b>	<b>-</b>	<b>(2,284)</b>	<b>(2,284)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR, as restated</b>	<b>2,790,158</b>	<b>1,190,456</b>	<b>1,660,004</b>	<b>5,640,618</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 3,622,819</b>	<b>\$ 991,574</b>	<b>\$ 1,341,304</b>	<b>\$ 5,955,697</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds \$ 315,079

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures.

However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of capital assets recorded for the current period.

1,390,296

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources.

Therefore, depreciation expense is not reported as expenditure in government funds.

(1,340,877)

Net effect of asset disposal

546

Governmental funds do not record net pension liabilities, deferred inflows/outflows of resources related to pensions. However, the government-wide statement of activities and changes in net assets reports the effects of these items.

738,443

The repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, it has no effect on net position.

1,067,865

Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.

131,886

Some revenues reported in the statement of activities do not require the use of current resources and, therefore, are not reported as revenues in the government funds

129,083

Some property tax will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues in the governmental funds.

1,250

Change in net position of governmental activities

\$ 2,433,571

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Taxes</b>				
Property taxes - current	\$ 2,135,000	\$ 2,135,000	\$ 2,055,798	\$ (79,202)
Property taxes - delinquent	-	-	82,555	82,555
Penalties and interest	13,000	13,000	13,509	509
In lieu of taxes:				
Lexington Housing Authority	13,500	13,500	13,537	37
Local sales tax	1,630,000	1,630,000	1,625,911	(4,089)
Local beer tax	390,000	390,000	391,381	1,381
Business tax	325,000	325,000	350,988	25,988
Franchise tax	141,474	141,474	142,294	820
Hotel/motel tax	32,000	32,000	31,849	(151)
Privilege tax	2,500	2,500	2,733	233
<b>Total taxes</b>	<b>4,682,474</b>	<b>4,682,474</b>	<b>4,710,555</b>	<b>28,081</b>
<b>Intergovernmental</b>				
TVA payments in lieu of taxes	89,995	89,995	89,995	-
State fire education	7,200	7,200	7,200	-
State law enforcement grant	14,400	14,400	14,400	-
Police safety grant - alcohol saturation	6,800	6,800	6,863	63
Police - COPS	40,700	40,700	40,791	91
Police - vest grant	1,800	1,800	1,866	66
Police grant -network coordinator 2016	11,700	11,700	3,980	(7,720)
Police grant -network coordinator 2015	8,900	8,900	8,956	56
Police grant - DUI traffic	12,600	12,600	12,679	79
Fire prevention grant	9,900	9,900	9,900	-
STP funds	102,600	102,600	-	(102,600)
Surface transportation grant	17,000	17,000	653	(16,347)
1033 grant	300,000	300,000	277,479	(22,521)
Sidewalk grant	20,000	20,000	14,298	(5,702)
Other state funds	1,100	1,100	479	(621)
State of Tennessee				
- Sales tax allocation	610,000	610,000	618,899	8,899
- Telecommunication tax	-	-	674	674
- Income tax allocation	80,400	80,400	91,871	11,471
- Beer tax allocation	3,700	3,700	3,736	36
- Mixed drink tax	-	-	455	455
- Petroleum special	15,500	15,500	15,568	68
- Street maintenance	91,710	91,710	91,710	-
- Excise tax	44,000	44,000	44,211	211
Grants from Local Governments				
- Crimestoppers	1,200	1,200	1,200	-
- County recreation grant	10,000	10,000	10,000	-
- Other miscellaneous grants	5,000	5,000	4,994	(6)
<b>Total intergovernmental revenues</b>	<b>1,506,205</b>	<b>1,506,205</b>	<b>1,372,857</b>	<b>(133,348)</b>
<b>Licenses and permits</b>				
Beer licenses	1,000	1,000	1,000	-
Building permits	14,000	14,000	14,464	464
Other permits	1,000	1,000	1,080	80
<b>Total licenses and permits</b>	<b>16,000</b>	<b>16,000</b>	<b>16,544</b>	<b>544</b>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)  
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues (continued)</b>				
<b>Charges for services</b>				
Clerk's fees - business tax	40,000	40,000	41,889	1,889
Accident report filing fees	3,300	3,300	3,320	20
Maintenace charges for Caywood	85,000	85,000	85,000	-
SOR charges	900	900	900	-
Mowing and lot cleanup	500	500	537	37
Street repair charges	25,000	25,000	25,146	146
Parks and recreation charges	6,000	6,000	6,040	40
<b>Total charges for services</b>	<b>160,700</b>	<b>160,700</b>	<b>162,832</b>	<b>2,132</b>
<b>City court fines and costs</b>	<b>141,000</b>	<b>141,000</b>	<b>142,894</b>	<b>1,894</b>
<b>Other revenues</b>				
Interest income	10,000	10,000	11,058	1,058
Donations	400	400	400	-
Community center revenue	9,000	9,000	9,135	135
Rent income	74,400	74,400	74,400	-
Sales of cemetery lots	7,000	7,000	7,800	800
Insurance recoveries	40,000	40,000	44,124	4,124
Sales of other materials	10,500	10,500	11,214	714
Miscellaneous income	5,000	5,000	5,597	597
<b>Total other revenue</b>	<b>156,300</b>	<b>156,300</b>	<b>163,728</b>	<b>7,428</b>
<b>Total revenues</b>	<b>6,662,679</b>	<b>6,662,679</b>	<b>6,569,410</b>	<b>(93,269)</b>
<b>Expenditures</b>				
<b>General government</b>				
<b>General</b>				
Salaries	71,275	71,275	71,262	13
Employee benefits	348,350	348,350	347,431	919
Memberships	2,165	2,165	2,164	1
Election payroll	8,015	8,015	8,015	-
Operating expenses	2,020	2,020	1,989	31
Other operating expenses	13,280	13,280	13,229	51
Insurance	140,000	140,000	142,859	(2,859)
Downtown beautification	4,550	4,550	4,509	41
Capital outlay	18,000	18,000	17,836	164
<b>Total general</b>	<b>607,655</b>	<b>607,655</b>	<b>609,294</b>	<b>(1,639)</b>
<b>Judicial</b>				
Salaries	9,128	9,128	9,128	-
<b>Total judicial</b>	<b>9,128</b>	<b>9,128</b>	<b>9,128</b>	<b>-</b>

The accompanying notes are an integral part of these financial statements.



CITY OF LEXINGTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)  
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>General government (continued)</b>				
<b>City recorder</b>				
Salaries	215,300	215,300	214,686	614
Employee benefits	29,786	29,786	27,563	2,223
Insurance	260	260	260	-
Office expense	11,500	11,500	11,229	271
Professional fees	52,100	52,100	51,387	713
Membership and dues	400	400	399	1
Repair and maintenance	4,470	4,470	4,312	158
Other operating expenses	137,900	137,900	140,196	(2,296)
<b>Total city recorder</b>	<b>451,716</b>	<b>451,716</b>	<b>450,032</b>	<b>1,684</b>
<b>City Hall</b>				
Utilities	12,910	12,910	12,897	13
<b>Total general government</b>	<b>1,081,409</b>	<b>1,081,409</b>	<b>1,081,351</b>	<b>58</b>
<b>Public safety</b>				
<b>Police department</b>				
Salary	1,467,701	1,467,701	1,460,969	6,732
Employee benefits	232,600	232,600	231,251	1,349
Utilities	26,000	26,000	25,355	645
Repair and maintenance	28,850	28,850	28,456	394
Memberships and dues	650	650	650	-
Supplies	34,600	34,600	40,501	(5,901)
Travel	2,750	2,750	3,288	(538)
Uniforms and clothing	8,700	8,700	8,696	4
Gas, oil, and diesel	45,200	45,200	45,124	76
Insurance	2,350	2,350	2,311	39
Equipment rental	7,500	7,500	7,469	31
Office expense	53,800	53,800	53,297	503
Other grant expenses	12,730	12,730	4,342	8,388
Capital outlay	453,900	453,900	429,452	24,448
<b>Total police department</b>	<b>2,377,331</b>	<b>2,377,331</b>	<b>2,341,161</b>	<b>36,170</b>
<b>Fire department</b>				
Salaries	649,250	649,250	648,930	320
Employee benefits	90,345	90,345	90,260	85
Volunteer firemen benefits	5,050	5,050	5,041	9
Utilities	39,550	39,550	39,153	397
Memberships	100	100	100	-
Repair and maintenance	14,600	14,600	14,441	159
Supplies	10,350	10,350	10,301	49
Clothing and uniforms	4,500	4,500	4,431	69
Gas, oil, diesel	4,250	4,250	4,125	125
Insurance	800	800	768	32
Travel	200	200	147	53
Fees	250	250	-	250
Small equipment	3,500	3,500	2,304	1,196
Equipment rent	3,000	3,000	2,848	152
Capital outlay	45,400	45,400	45,400	-
<b>Total fire department</b>	<b>871,145</b>	<b>871,145</b>	<b>868,249</b>	<b>2,896</b>
<b>Building inspector</b>				
Salaries	60,650	60,650	59,742	908
Employee benefits	8,100	8,100	7,796	304
Insurance	64	64	64	-
Other operating expenses	2,730	2,730	2,571	159
<b>Total building inspector</b>	<b>71,544</b>	<b>71,544</b>	<b>70,173</b>	<b>1,371</b>
<b>Total public safety</b>	<b>3,320,020</b>	<b>3,320,020</b>	<b>3,279,583</b>	<b>40,437</b>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)**  
**YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>Public works</b>				
<b>Highways and streets</b>				
Salaries	446,884	446,884	444,487	2,397
Employee benefits	72,100	72,100	73,408	(1,308)
Utilities	11,500	11,500	10,912	588
Street lighting	37,000	37,000	36,713	287
Repair and maintenance	267,550	267,550	265,687	1,863
Repair and maintenance - equipment	10,100	10,100	10,028	72
Clothing and uniforms	3,400	3,400	3,344	56
Gas, oil, diesel	23,200	23,200	23,067	133
Small equipment	50	50	25	25
Operating supplies	14,350	14,350	13,507	843
Insurance	765	765	762	3
Capital outlay	25,000	25,000	24,980	20
<b>Total highways and streets</b>	<b>911,899</b>	<b>911,899</b>	<b>906,920</b>	<b>4,979</b>
<b>Garage</b>				
Repair and maintenance	1,850	1,850	1,377	473
Supplies	10,100	10,100	8,961	1,139
Utilities	4,000	4,000	3,847	153
Fuel purchases	10,500	10,500	10,472	28
Capital outlay	2,200	2,200	2,170	30
<b>Total garage</b>	<b>28,650</b>	<b>28,650</b>	<b>26,827</b>	<b>1,823</b>
<b>Animal control</b>				
Contract labor	36,000	36,000	36,000	-
<b>Total animal control</b>	<b>36,000</b>	<b>36,000</b>	<b>36,000</b>	<b>-</b>
<b>Sanitation</b>				
Landfill closure	2,500	2,500	2,113	387
<b>Total public works</b>	<b>979,049</b>	<b>979,049</b>	<b>971,860</b>	<b>7,189</b>
<b>Health, welfare, and recreation</b>				
<b>Appropriations</b>				
Library	31,000	31,200	31,000	200
Library utilities	10,000	10,000	9,989	11
Senior Citizens	12,000	12,000	12,000	-
Rescue Squad	2,500	2,500	2,500	-
Christmas parade	500	500	500	-
Carl Perkins	1,725	1,725	1,725	-
Lexington scholarship	500	500	500	-
JACO A	3,000	3,000	3,000	-
Hope utilities	5,650	5,650	5,636	14
Project graduation	1,200	1,200	1,020	180
Airport	34,604	34,604	34,604	-
Other appropriations	22,900	22,900	1,500	21,400
<b>Total appropriations</b>	<b>125,579</b>	<b>125,779</b>	<b>103,974</b>	<b>21,805</b>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)  
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>Health, welfare, and recreation (continued)</b>				
<b>Museum</b>				
Salaries	18,800	18,800	18,541	259
Employee benefits	1,438	1,438	1,419	19
Unemployment insurance	90	90	81	9
Public relations	1,000	1,000	609	391
Utilities	5,000	5,000	4,783	217
Repair and maintenance	150	150	140	10
Telephone	1,350	1,350	1,325	25
Security system	625	625	613	12
Operating costs	150	150	134	16
Janitorial costs	300	300	259	41
<b>Total museum</b>	<b>28,903</b>	<b>28,903</b>	<b>27,904</b>	<b>999</b>
<b>Civic center</b>				
Salaries	7,000	7,000	6,586	414
Employee benefits	510	510	504	6
Unemployment insurance	65	65	61	4
Utilities	20,100	20,100	20,028	72
Repair and maintenance	8,500	8,500	8,411	89
Operating costs	500	500	379	121
Janitorial costs	2,000	2,000	1,913	87
<b>Total civic center</b>	<b>38,675</b>	<b>38,675</b>	<b>37,882</b>	<b>793</b>
<b>Parks</b>				
Salaries	175,000	175,000	174,750	250
Employee benefits	37,000	37,000	42,305	(5,305)
Repair and maintenance	65,600	65,600	64,172	1,428
Utilities	47,500	47,500	46,953	547
Insurance	400	400	381	19
Other operating expenses	17,950	17,950	17,446	504
Capital outlay	16,000	16,000	15,699	301
<b>Total parks</b>	<b>359,450</b>	<b>359,450</b>	<b>361,706</b>	<b>(2,256)</b>
<b>Total health, welfare, and recreation</b>	<b>552,607</b>	<b>552,807</b>	<b>531,466</b>	<b>21,341</b>
<b>Economic development</b>				
State plan service	16,200	16,200	16,133	67
Professional fees	14,700	14,700	14,236	464
Tourism advertising	500	500	417	83
Travel	150	150	115	35
Maintenance	14,500	14,500	29,563	(15,063)
Miscellaneous	7,100	7,100	6,982	118
Capital outlay	162,100	162,100	146,811	15,289
<b>Total economic development</b>	<b>215,250</b>	<b>215,250</b>	<b>214,257</b>	<b>993</b>
<b>Debt service</b>				
Principal payments	145,300	145,300	87,707	57,593
Interest payments	51,210	51,210	51,123	87
Paying agent fees	350	350	350	-
<b>Total debt service</b>	<b>196,860</b>	<b>196,860</b>	<b>139,180</b>	<b>57,680</b>
<b>Total expenditures</b>	<b>6,345,195</b>	<b>6,345,395</b>	<b>6,217,697</b>	<b>127,698</b>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (continued)  
YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess (deficiency) of revenues over (under) expenditures</b>	317,484	317,284	351,713	34,429
<b>Other financing sources (uses)</b>				
Transfers in	1,156,000	1,156,000	1,160,998	4,998
Transfers out	(682,500)	(682,500)	(709,705)	(27,205)
Sale of general fixed assets	2,550	2,550	29,655	27,105
<b>Total other financing sources (uses)</b>	476,050	476,050	480,948	4,898
<b>Net change in fund balance</b>	793,534	793,334	832,661	39,327
<b>Fund Balance at Beginning of Year</b>	2,790,158	2,790,158	2,790,158	-
<b>Fund Balance at End of Year</b>	<u>\$ 3,583,692</u>	<u>\$ 3,583,492</u>	<u>\$ 3,622,819</u>	<u>\$ 39,327</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Less: Encumbrances 7/1/2015</u>	<u>Add: Encumbrances 6/30/2016</u>	<u>Actual Revenues/ Expenditures (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>					
<b>Revenues</b>							
Intergovernmental revenues							
Local funds							
Henderson County							
Wheel tax	\$ 82,500	\$ 43,203	\$ 43,204	\$ -	\$ -	\$ 43,204	\$ 1
Current year tax levy	445,000	419,098	420,428	-	-	420,428	1,330
Prior year tax receipts	25,700	16,703	18,639	-	-	18,639	1,936
Mixed drink tax	600	600	604	-	-	604	4
Local sales tax	735,000	697,691	696,330	-	-	696,330	(1,361)
Interstate telecommunication taxes	500	440	430	-	-	430	(10)
Bank excise tax	4,000	4,000	4,671	-	-	4,671	671
Marriage licenses	400	370	390	-	-	390	20
Other	7,800	7,750	7,337	-	-	7,337	(413)
State funds							
Basic education	4,776,000	4,790,000	4,790,000	-	-	4,790,000	-
Early childhood education	202,114	202,114	202,114	-	-	202,114	-
Career ladder	35,000	29,306	29,307	-	-	29,307	1
ACT reimbursement	-	-	1,025	-	-	1,025	1,025
Coordinated School Health	92,000	92,000	91,984	-	-	91,984	(16)
Internet Connectivity	3,500	2,518	2,518	-	-	2,518	-
Student Management	2,600	-	-	-	-	-	-
Safe schools grant	-	5,380	5,380	-	-	5,380	-
Other State education funds	76,985	76,985	76,983	-	-	76,983	(2)
Other State grants	-	1,590	1,590	-	-	1,590	-
Federal funds							
Title I grants	251,909	264,375	254,578	-	-	254,578	(9,797)
Other Federal through State	251,299	251,299	195,611	-	-	195,611	(55,688)
Special education grants to state	255,983	268,397	267,086	-	-	267,086	(1,311)
Special education preschool - idea	3,688	3,688	3,688	-	-	3,688	-
English language acquisition grant	2,063	791	791	-	-	791	-
IDEA inclusion grant	18,396	18,346	18,281	-	-	18,281	(65)
Title IIA - improving teach quality	47,292	58,584	57,581	-	-	57,581	(1,003)
Total Intergovernmental revenues	<u>7,320,329</u>	<u>7,255,228</u>	<u>7,190,550</u>	<u>-</u>	<u>-</u>	<u>7,190,550</u>	<u>(64,678)</u>
Other revenues							
Interest income	8,500	5,779	5,836	-	-	5,836	57
Receipts from individual schools	1,000	40,632	40,632	-	-	40,632	-
On-behalf payments	-	75,000	41,380	-	-	41,380	(33,620)
Miscellaneous revenues	2,500	7,240	6,211	-	-	6,211	(1,029)
Total other revenues	<u>12,000</u>	<u>128,651</u>	<u>94,059</u>	<u>-</u>	<u>-</u>	<u>94,059</u>	<u>(34,592)</u>
<b>Total Revenues</b>	<u>7,332,329</u>	<u>7,383,879</u>	<u>7,284,609</u>	<u>-</u>	<u>-</u>	<u>7,284,609</u>	<u>(99,270)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)  
YEAR ENDED JUNE 30, 2016

Expenditures	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Instruction</b>							
Regular instruction program							
Teachers	2,445,363	2,330,076	2,298,744	-	-	2,298,744	31,332
Career ladder program	19,000	19,000	12,000	-	-	12,000	7,000
Homebound teachers	-	6,369	6,369	-	-	6,369	-
Educational assistants	46,303	93,314	93,314	-	-	93,314	-
Bonus payments	-	35,459	35,459	-	-	35,459	-
Other salaries and wages	185,955	211,608	167,844	-	-	167,844	43,764
Certified substitute teachers	30,000	20,000	19,005	-	-	19,005	995
Non-certified substitute teachers	32,000	32,558	32,558	-	-	32,558	-
Social security	154,615	156,108	152,761	-	-	152,761	3,347
Administrative costs	2,750	2,750	-	-	-	-	2,750
State retirement	221,483	228,218	224,585	-	-	224,585	3,633
Life insurance	6,120	6,120	5,317	-	-	5,317	803
Medical insurance	383,379	382,844	380,593	-	-	380,593	2,251
Dental insurance	6,624	6,913	6,398	-	-	6,398	515
Unemployment compensation	4,100	4,276	3,762	-	-	3,762	514
Local retirement	2,779	3,897	3,817	-	-	3,817	80
Employer medicare	35,096	36,845	35,829	-	-	35,829	1,016
On-behalf payments	-	75,000	41,380	-	-	41,380	33,620
Maintenance and repair - equipment	3,000	3,000	-	-	-	-	3,000
Other contracted services	46,500	67,993	67,994	-	-	67,994	(1)
Instructional supplies	46,513	50,634	48,479	-	-	48,479	2,155
Textbooks	20,500	27,500	25,322	-	-	25,322	2,178
Other supplies and materials	9,000	9,000	7,611	-	-	7,611	1,389
Other charges	3,000	3,975	35	-	-	35	3,940
Regular instruction equipment	20,000	21,286	21,286	-	-	21,286	-
Total regular instruction program	3,724,080	3,834,743	3,690,462	-	-	3,690,462	144,281
<b>Alternative instruction</b>							
Contracts with other school systems	26,000	26,000	26,000	-	-	26,000	-
Total alternative instruction	26,000	26,000	26,000	-	-	26,000	-
<b>Special education</b>							
Teachers	345,390	337,842	337,842	-	-	337,842	-
Career ladder program	2,000	1,000	1,000	-	-	1,000	-
Educational assistants	146,938	169,152	168,778	-	-	168,778	374
Speech pathology	53,656	8,954	8,954	-	-	8,954	-
Certified substitute teachers	2,000	2,060	2,060	-	-	2,060	-
Non-certified substitute teachers	4,500	13,440	13,440	-	-	13,440	-
Social security	33,700	30,687	29,911	-	-	29,911	776
State retirement	36,197	31,441	31,441	-	-	31,441	-
Medical insurance	93,982	106,836	106,836	-	-	106,836	-
Dental insurance	966	1,876	1,876	-	-	1,876	-
Unemployment compensation	1,040	1,137	1,137	-	-	1,137	-
Local retirement	8,040	6,532	6,532	-	-	6,532	-
Employer medicare	8,055	7,155	7,000	-	-	7,000	155
Contracts with other schools	9,000	-	-	-	-	-	-
Other contracted services	100	45,430	45,430	-	-	45,430	-
Instructional supplies	5,063	2,743	2,680	-	-	2,680	63
Other supplies and materials	500	2,118	2,118	-	-	2,118	-
Special education equipment	2,000	-	-	-	-	-	-
Total special education	753,127	768,403	767,035	-	-	767,035	1,368
<b>Student body education</b>							
Other salaries and wages	79,530	76,739	67,615	-	-	67,615	9,124
Social security	4,931	4,923	3,782	-	-	3,782	1,141
State retirement	7,190	7,190	6,112	-	-	6,112	1,078
Medical insurance	11,896	14,687	14,687	-	-	14,687	-
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	100	108	108	-	-	108	-
Employer medicare	1,153	1,153	885	-	-	885	268
Travel	500	500	-	-	-	-	500
Other contracted services	12,000	11,000	11,000	-	-	11,000	-
Other charges	6,000	7,000	7,000	-	-	7,000	-
Total student body education	123,576	123,576	111,465	-	-	111,465	12,111
Total instruction	4,626,783	4,752,722	4,594,962	-	-	4,594,962	157,760

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)  
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Expenditures(continued)</b>							
Support services							
Attendance							
Postal charges	300	300	300	-	-	300	-
Other contracted services	4,800	4,316	1,821	-	-	1,821	2,495
Other supplies and materials	500	500	-	-	-	-	500
Inservice/staff development	2,000	2,484	2,484	-	-	2,484	-
Other charges	500	500	-	-	-	-	500
Total attendance	8,100	8,100	4,605	-	-	4,605	3,495
Health instruction program							
Medical personnel	60,825	62,738	62,594	-	-	62,594	144
Other salaries	68,699	67,454	67,454	-	-	67,454	-
Social security	8,030	7,467	7,221	-	-	7,221	246
State retirement	5,125	5,126	5,126	-	-	5,126	-
Health insurance	16,660	22,063	22,063	-	-	22,063	-
Dental insurance	138	138	138	-	-	138	-
Unemployment insurance	200	259	259	-	-	259	-
Local retirement	1,602	1,678	1,678	-	-	1,678	-
Employer medicare	1,878	1,751	1,689	-	-	1,689	62
Postal charges	200	200	200	-	-	200	-
Other contracted services	8,226	8,226	8,226	-	-	8,226	-
Other supplies and materials	5,550	5,779	4,900	-	-	4,900	879
Inservice/staff development	2,000	2,298	2,282	-	-	2,282	16
Total health instruction program	179,133	185,177	183,830	-	-	183,830	1,347
Other student support							
Career ladder program	6,000	6,000	4,000	-	-	4,000	2,000
Guidance personnel	101,150	102,445	101,295	-	-	101,295	1,150
Social workers	49,542	49,542	48,556	-	-	48,556	986
Assessment personnel	239,776	185,592	163,189	-	-	163,189	22,403
Other salaries	4,500	4,500	-	-	-	-	4,500
Social security	24,878	24,878	18,112	-	-	18,112	6,766
State retirement	32,781	32,781	28,661	-	-	28,661	4,120
Medical insurance	52,459	52,459	40,717	-	-	40,717	11,742
Dental insurance	897	897	620	-	-	620	277
Unemployment compensation	350	350	294	-	-	294	56
Employer medicare	5,819	5,819	4,236	-	-	4,236	1,583
Contracts with government agencies	95,000	96,639	96,639	-	-	96,639	-
Evaluation and testing	12,000	12,000	1,564	-	-	1,564	10,436
Other contracted services	-	3,250	3,250	-	-	3,250	-
Inservice/staff development	5,524	5,524	3,445	-	-	3,445	2,079
Other equipment	3,000	6,180	3,180	-	-	3,180	3,000
Total other student support	633,676	588,856	517,758	-	-	517,758	71,098
Regular instruction program							
Supervisor/Director	148,792	149,512	149,512	-	-	149,512	-
Career ladder program	4,000	4,000	4,000	-	-	4,000	-
Librarians	94,721	97,229	96,393	-	-	96,393	836
Other salaries	185,335	131,786	119,586	-	-	119,586	12,200
Certified substitute teachers	300	-	-	-	-	-	-
In-service training	5,000	5,000	300	-	-	300	4,700
Non-certified substitute teachers	600	-	-	-	-	-	-
Social security	28,281	25,434	22,694	-	-	22,694	2,740
State retirement	39,947	35,596	32,164	-	-	32,164	3,432

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
(Budgetary Basis) (continued)  
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Expenditures(continued)</b>							
Support services(continued)							
Regular instruction program(continued)							
Medical insurance	53,753	44,726	41,079	-	-	41,079	3,647
Dental insurance	691	587	554	-	-	554	33
Unemployment compensation	388	342	325	-	-	325	17
Employer medicare	6,349	5,652	5,012	-	-	5,012	640
Consultants	3,000	3,000	-	-	-	-	3,000
Dues and memberships	1,000	1,000	155	-	-	155	845
Travel	500	500	308	-	-	308	192
Other contracted services	29,000	29,000	25,765	-	-	25,765	3,235
Library books and media	9,000	9,000	9,000	-	-	9,000	-
Other supplies and materials	11,000	11,000	10,191	-	-	10,191	809
Inservice/staff development	14,827	28,770	24,705	-	-	24,705	4,065
Other charges	505	505	24	-	-	24	481
Other equipment	3,000	3,679	3,679	-	-	3,679	-
Total regular instruction program	639,989	586,318	545,446	-	-	545,446	40,872
Special Education							
Psychological personnel	27,447	27,447	26,980	-	-	26,980	467
Social security	1,860	1,860	1,428	-	-	1,428	432
State retirement	2,712	2,712	2,439	-	-	2,439	273
Medical insurance	5,061	5,061	4,974	-	-	4,974	87
Dental insurance	69	69	68	-	-	68	1
Unemployment compensation	50	50	24	-	-	24	26
Employer medicare	435	435	334	-	-	334	101
Other contracted services	19,557	20,056	20,056	-	-	20,056	-
Inservice/staff development	3,600	3,101	2,893	-	-	2,893	208
Total special education	60,791	60,791	59,196	-	-	59,196	1,595
Total support services	1,521,689	1,429,242	1,310,835	-	-	1,310,835	118,407
General administration							
Board of education							
Board and committee members	-	22,050	22,050	-	-	22,050	-
Social security	-	1,367	888	-	-	888	479
Medical insurance	34,000	45,000	44,334	-	-	44,334	666
Dental insurance	-	241	241	-	-	241	-
Unemployment compensation	-	132	132	-	-	132	-
Employer medicare	-	320	208	-	-	208	112
Audit services	25,000	25,000	25,000	-	-	25,000	-
Dues and subscriptions	9,000	7,912	7,533	-	-	7,533	379
Legal services	6,000	6,000	5,640	-	-	5,640	360
Printing, stationery, etc...	100	2,487	2,487	-	-	2,487	-
Travel	1,000	1,000	-	-	-	-	1,000
Other contracted services	7,000	10,941	10,695	-	-	10,695	246
Other supplies and materials	100	100	-	-	-	-	100
Liability insurance	12,600	12,910	12,910	-	-	12,910	-
Surety bonds	540	552	552	-	-	552	-
Trustee's commission	19,000	19,000	17,167	-	-	17,167	1,833
Workmans compensation	17,700	17,953	17,953	-	-	17,953	-
Inservice/staff development	4,000	1,000	869	-	-	869	131
Refunds to applicants	500	500	494	-	-	494	6
Other charges	8,000	8,812	8,608	-	-	8,608	204
Total board of education	144,540	183,277	177,761	-	-	177,761	5,516
Office of education							
County officials	99,500	99,500	94,820	-	-	94,820	4,680
Career ladder program	1,000	1,000	800	-	-	800	200
Social security	6,231	6,231	5,471	-	-	5,471	760
Medical insurance	8,224	8,224	8,224	-	-	8,224	-
Dental insurance	138	138	138	-	-	138	-
Unemployment compensation	60	60	54	-	-	54	6
Employer medicare	1,457	1,457	1,280	-	-	1,280	177
Communication	12,000	9,000	8,200	-	-	8,200	800
Dues and memberships	1,000	3,730	3,109	-	-	3,109	621
Postage	1,500	1,500	1,348	-	-	1,348	152
Travel	2,000	788	172	-	-	172	616
Other contracted services	2,000	-	-	-	-	-	-
Office supplies	3,000	3,000	1,298	-	-	1,298	1,702
Inservice/staff development	2,000	2,153	2,153	-	-	2,153	-
Other charges	3,160	7,489	6,840	-	-	6,840	649
Administrative equipment	1,000	-	-	-	-	-	-
Total office of education	144,270	144,270	133,907	-	-	133,907	10,363

The accompanying notes are an integral part of these financial statements.



CITY OF LEXINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)  
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Expenditures(continued)</b>							
General administration(continued)							
Office of principal							
Principals	148,028	138,028	137,110	-	-	137,110	918
Career ladder program	3,000	3,000	3,000	-	-	3,000	-
Accountants and bookkeepers	40,000	47,256	47,256	-	-	47,256	-
Assistant principal	181,578	181,578	177,708	-	-	177,708	3,870
Clerical personnel	40,060	42,834	42,834	-	-	42,834	-
Social security	25,583	25,692	24,486	-	-	24,486	1,206
State retirement	30,068	30,068	28,731	-	-	28,731	1,337
Medical insurance	39,754	34,926	32,466	-	-	32,466	2,460
Dental insurance	828	828	561	-	-	561	267
Unemployment compensation	600	600	494	-	-	494	106
Local retirement	4,804	5,279	5,279	-	-	5,279	-
Employer medicare	5,984	6,010	5,726	-	-	5,726	284
Dues and memberships	2,000	2,000	1,500	-	-	1,500	500
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	500	92	-	-	92	408
Other contracted services	1,200	1,817	1,817	-	-	1,817	-
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	1,500	4,888	4,887	-	-	4,887	1
Other charges	1,325	5,030	4,902	-	-	4,902	128
Indirect costs	2,862	-	-	-	-	-	-
Administrative equipment	1,000	3,069	3,068	-	-	3,068	1
<b>Total office of principal</b>	<b>533,674</b>	<b>536,403</b>	<b>524,917</b>	<b>-</b>	<b>-</b>	<b>524,917</b>	<b>11,486</b>
Fiscal services							
Accountants and bookkeepers	90,324	92,126	89,379	-	-	89,379	2,747
Purchasing personnel	43,511	45,048	45,048	-	-	45,048	-
Clerical personnel	22,446	23,238	23,238	-	-	23,238	-
Other salaries and wages	1,000	1,000	-	-	-	-	1,000
Social security	9,751	9,335	8,689	-	-	8,689	646
Medical insurance	24,186	24,186	24,186	-	-	24,186	-
Dental insurance	414	414	413	-	-	413	1
Unemployment compensation	300	300	218	-	-	218	82
Local retirement	6,500	6,690	6,352	-	-	6,352	338
Employer medicare	2,281	2,327	2,032	-	-	2,032	295
Dues and memberships	300	300	192	-	-	192	108
Other contracted services	8,845	8,845	8,111	-	-	8,111	734
Data processing supplies	1,000	1,000	632	-	-	632	368
Office supplies	2,000	2,000	1,051	-	-	1,051	949
Inservice/staff development	3,000	3,000	2,203	-	-	2,203	797
Administration equipment	3,000	3,000	-	-	-	-	3,000
<b>Total fiscal services</b>	<b>218,858</b>	<b>222,809</b>	<b>211,744</b>	<b>-</b>	<b>-</b>	<b>211,744</b>	<b>11,065</b>
Plant operations							
Janitorial services	331,308	319,308	314,723	-	-	314,723	4,585
Disposal fees	4,000	4,000	3,204	-	-	3,204	796
Permits	500	500	407	-	-	407	93
Other contracted services	25,000	22,000	21,516	-	-	21,516	484
Electricity	305,000	336,375	336,375	-	-	336,375	-
Natural gas	33,000	22,000	21,526	-	-	21,526	474
Water	30,000	23,532	21,522	-	-	21,522	2,010
Other supplies and materials	100	100	-	-	-	-	100
Boiler insurance	1,400	1,422	1,422	-	-	1,422	-
Building and contents insurance	30,200	31,078	31,078	-	-	31,078	-
Vehicle and equipment	9,000	9,193	9,193	-	-	9,193	-
<b>Total plant operations</b>	<b>769,508</b>	<b>769,508</b>	<b>760,966</b>	<b>-</b>	<b>-</b>	<b>760,966</b>	<b>8,542</b>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)  
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures/ (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Expenditures(continued)</b>							
General administration(continued)							
Plant maintenance							
Part time personnel	7,000	8,256	8,255	-	-	8,255	1
Social security	434	512	512	-	-	512	-
Unemployment compensation	25	25	22	-	-	22	3
Employer medicare	102	120	120	-	-	120	-
Contracts with government agencies	110,000	110,000	100,786	-	-	100,786	9,214
Maintenance and repair - buildings	40,000	46,499	43,365	-	-	43,365	3,134
Maintenance and repair - equipment	10,000	4,230	-	-	-	-	4,230
Maintenance and repair - other equipment	500	500	-	-	-	-	500
Other contracted services	75,000	75,000	59,189	-	-	59,189	15,811
Gasoline	3,000	3,000	1,296	-	-	1,296	1,704
Vehicle parts	1,000	1,366	1,366	-	-	1,366	-
Other supplies and materials	25,000	39,052	39,052	-	-	39,052	-
Inservice/staff development	800	800	-	-	-	-	800
Other charges	500	500	165	-	-	165	335
Building improvements	-	-	32,387	-	-	32,387	(32,387)
Maintenance equipment	3,000	6,545	5,252	-	-	5,252	1,293
<b>Total plant maintenance</b>	<b>276,361</b>	<b>296,405</b>	<b>291,767</b>	<b>-</b>	<b>-</b>	<b>291,767</b>	<b>4,638</b>
Central and other							
Supervisor/director	42,960	44,382	44,073	-	-	44,073	309
Data processing personnel	23,000	25,047	24,739	-	-	24,739	308
Social security	4,090	4,207	4,074	-	-	4,074	133
Medical insurance	5,840	5,840	5,840	-	-	5,840	-
Dental insurance	276	276	138	-	-	138	138
Unemployment compensation	200	200	108	-	-	108	92
Local retirement	3,958	4,071	4,059	-	-	4,059	12
Employer medicare	956	983	953	-	-	953	30
Dues and memberships	200	200	30	-	-	30	170
Maintenance and repair - equipment	7,000	7,000	5,846	-	-	5,846	1,154
Travel	1,000	1,000	515	-	-	515	485
Other contracted services	80,000	78,420	72,929	-	4,000	76,929	1,491
Other supplies and materials	17,000	17,000	14,370	-	-	14,370	2,630
Inservice/staff development	3,000	3,000	893	-	-	893	2,107
Other charges	1,000	1,000	158	-	-	158	842
Data processing equipment	4,000	-	-	-	-	-	-
Other equipment	8,000	12,000	9,641	-	-	9,641	2,359
<b>Total central and other</b>	<b>202,480</b>	<b>204,626</b>	<b>188,366</b>	<b>-</b>	<b>4,000</b>	<b>192,366</b>	<b>12,260</b>
<b>Total general administration</b>	<b>2,289,691</b>	<b>2,357,298</b>	<b>2,289,428</b>	<b>-</b>	<b>4,000</b>	<b>2,293,428</b>	<b>63,870</b>
Early childhood education							
Teachers	91,603	90,744	90,744	-	-	90,744	-
Educational assistants	45,052	49,611	49,611	-	-	49,611	-
Other salaries and wages	2,500	-	-	-	-	-	-
Certified substitute teachers	3,200	1,600	1,600	-	-	1,600	-
Non-certified substitute teachers	1,200	2,025	2,025	-	-	2,025	-
Social security	8,900	8,516	8,516	-	-	8,516	-
State retirement	8,281	8,203	8,203	-	-	8,203	-
Medical insurance	19,390	17,150	17,150	-	-	17,150	-
Dental insurance	276	414	414	-	-	414	-
Unemployment compensation	350	287	287	-	-	287	-
Local retirement	2,703	1,985	1,985	-	-	1,985	-
Employer medicare	2,082	1,994	1,994	-	-	1,994	-
Travel	100	-	-	-	-	-	-
Instructional supplies	1,989	4,587	4,588	-	-	4,588	(1)
Other supplies and materials	2,000	968	968	-	-	968	-
Indirect costs	9,488	7,779	7,779	-	-	7,779	-
Inservice/staff development	2,500	190	191	-	-	191	(1)
Other charges	500	500	500	-	-	500	-
Regular instruction equipment	-	5,561	5,561	-	-	5,561	-
<b>Total early childhood education</b>	<b>202,114</b>	<b>202,114</b>	<b>202,116</b>	<b>-</b>	<b>-</b>	<b>202,116</b>	<b>(2)</b>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)  
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Expenditures(continued)</b>							
<b>Debt service</b>							
Principal payments	45,232	45,232	45,232	-	-	45,232	-
Interest payments	13,548	13,548	10,348	-	-	10,348	3,200
Total debt service	58,780	58,780	55,580	-	-	55,580	3,200
<b>Capital outlay</b>							
Building improvements	-	127,128	93,570	-	-	93,570	33,558
Total capital outlay	-	127,128	93,570	-	-	93,570	33,558
<b>Total Expenditures</b>	<b>8,699,057</b>	<b>8,927,284</b>	<b>8,546,491</b>	<b>-</b>	<b>4,000</b>	<b>8,550,491</b>	<b>376,793</b>
Excess (deficiency) of revenues over (under) expenditures	(1,366,728)	(1,543,405)	(1,261,882)	-	(4,000)	(1,265,882)	277,523
<b>Other financing sources and (uses)</b>							
Transfers in	1,072,728	1,070,779	1,063,000	-	-	1,063,000	(7,779)
Total other financing sources and (uses)	1,072,728	1,070,779	1,063,000	-	-	1,063,000	(7,779)
<b>Net change in fund balance</b>	<b>(294,000)</b>	<b>(472,626)</b>	<b>(198,882)</b>	<b>-</b>	<b>(4,000)</b>	<b>(202,882)</b>	<b>269,744</b>
Fund balance - beginning of year	1,190,456	1,190,456	1,190,456	-	-	1,190,456	-
Fund balance - end of year	<u>\$ 896,456</u>	<u>\$ 717,830</u>	<u>\$ 991,574</u>	<u>\$ -</u>	<u>\$ (4,000)</u>	<u>\$ 987,574</u>	<u>\$ 269,744</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	WATER SYSTEMS FUND	ELECTRIC DEPARTMENT	TOTALS
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 5,449,457	\$ 1,184,249	\$ 9,916,279	\$ 16,549,985
Cash and cash equivalents - restricted	-	-	1,301,207	1,301,207
Investments	-	40,693	-	40,693
Investments - restricted	-	-	100,702	100,702
Accounts receivable, net of allowance	641,725	-	2,843,128	3,484,853
Current portion of advance to other funds	58,288	-	-	58,288
Grant receivables	535	36,787	-	37,322
Other receivables	475	34,449	144,315	179,239
Due from other funds	12,039	544,896	-	556,935
Inventory	205,211	179,337	237,676	622,224
Natural gas storage	364,206	-	-	364,206
Prepaid expenses	39,753	92,687	19,124	151,564
<b>TOTAL CURRENT ASSETS</b>	<b>6,771,689</b>	<b>2,113,098</b>	<b>14,562,431</b>	<b>23,447,218</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Land	128,227	76,153	-	204,380
Buildings	531,639	495,286	-	1,026,925
Equipment	1,699,675	1,916,553	-	3,616,228
General plant	-	-	5,855,786	5,855,786
Distribution plant	14,518,394	40,331,378	59,610,624	114,460,396
Construction in progress	150,353	108,944	1,061,144	1,320,441
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>17,028,288</b>	<b>42,928,314</b>	<b>66,527,554</b>	<b>126,484,156</b>
Less accumulated depreciation	(9,796,310)	(18,930,401)	(24,826,583)	(53,553,294)
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>7,231,978</b>	<b>23,997,913</b>	<b>41,700,971</b>	<b>72,930,862</b>
<b>OTHER ASSETS</b>				
Note receivable - TVA Home Insulation Program	-	-	430,320	430,320
Advance to other funds - noncurrent portion	179,119	-	-	179,119
Deposits	-	65	-	65
Other deferred costs	-	-	301,122	301,122
Bond issue costs, net of accumulated amortization	-	-	154,440	154,440
<b>TOTAL OTHER ASSETS</b>	<b>179,119</b>	<b>65</b>	<b>885,882</b>	<b>1,065,066</b>
<b>TOTAL ASSETS</b>	<b>14,182,786</b>	<b>26,111,076</b>	<b>57,149,284</b>	<b>97,443,146</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	116,887	189,954	1,508,119	1,814,960
<b>CURRENT LIABILITIES</b>				
Accounts payable	123,599	151,336	3,910,960	4,185,895
Accrued expenses	43,023	97,180	241,000	381,203
Accrued interest	24,195	77,441	129,771	231,407
Compensated absences	-	-	312,072	312,072
Customer deposits	400,024	154,478	495,902	1,050,404
Due to other funds	569,071	7,028	-	576,099
Current portion of long-term debt	371,268	2,151,281	560,000	3,082,549
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,531,180</b>	<b>2,638,744</b>	<b>5,649,705</b>	<b>9,819,629</b>
<b>LONG-TERM LIABILITIES</b>				
Compensated absences	311,775	436,114	1,297,546	2,045,435
Bonds and notes payable (net of unamortized bond premiums)	2,106,531	8,919,857	13,740,000	24,766,388
Net pension liability	429,766	705,578	3,385,939	4,521,283
Other post employment benefits	-	-	1,133,795	1,133,795
Advances from Home Installation Program	-	-	430,327	430,327
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,848,072</b>	<b>10,061,549</b>	<b>19,987,607</b>	<b>32,897,228</b>
<b>TOTAL LIABILITIES</b>	<b>4,379,252</b>	<b>12,700,293</b>	<b>25,637,312</b>	<b>42,716,857</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	-	-	55,397	55,397
<b>NET POSITION</b>				
Net investment in capital assets	4,754,179	12,926,775	27,400,971	45,081,925
Restricted for debt service	-	-	1,272,138	1,272,138
Unrestricted net position	5,166,242	673,962	4,291,585	10,131,789
<b>TOTAL NET POSITION</b>	<b>\$ 9,920,421</b>	<b>\$ 13,600,737</b>	<b>\$ 32,964,694</b>	<b>\$ 56,485,852</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<b>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>GAS FUND</b>	<b>WATER SYSTEMS FUND</b>	<b>ELECTRIC DEPARTMENT</b>	<b>TOTALS</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,028,425	\$ 5,772,196	\$ 44,770,705	\$ 55,571,326
Miscellaneous	4,310	17,210	788,774	810,294
<b>TOTAL OPERATING REVENUES</b>	<u>5,032,735</u>	<u>5,789,406</u>	<u>45,559,479</u>	<u>56,381,620</u>
<b>OPERATING EXPENSES</b>				
Natural gas purchases	2,493,273	-	-	2,493,273
Water purchases	-	97,326	-	97,326
Purchased for resale	-	-	34,507,088	34,507,088
Personnel expenses	1,312,642	2,219,020	-	3,531,662
Supplies	-	330,429	-	330,429
Utilities	25,608	415,729	-	441,337
Repairs and maintenance	198,412	583,032	1,840,113	2,621,557
Professional fees	28,391	48,370	-	76,761
Operating expenses	50,011	44,728	5,112,891	5,207,630
Rent	50,800	26,400	-	77,200
Office expense	159,488	88,036	-	247,524
Transportation expense	27,923	48,238	-	76,161
Insurance	32,574	100,314	-	132,888
Taxes and tax equivalents	-	-	278,391	278,391
Memberships and subscriptions	-	23,474	-	23,474
Miscellaneous	-	2,320	-	2,320
Depreciation and amortization	512,986	972,960	2,205,545	3,691,491
<b>TOTAL OPERATING EXPENSES</b>	<u>4,892,108</u>	<u>5,000,376</u>	<u>43,944,028</u>	<u>53,836,512</u>
<b>OPERATING INCOME (LOSS)</b>	<u>140,627</u>	<u>789,030</u>	<u>1,615,451</u>	<u>2,545,108</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	16,880	2,103	78,623	97,606
Sale of materials	-	4,007	-	4,007
Miscellaneous revenue	-	-	750	750
Amortization of debt expense	-	-	(8,573)	(8,573)
Accretion of debt premiums	504	3,797	-	4,301
Bond issue costs	-	(12,000)	-	(12,000)
Miscellaneous expense	-	-	(35,313)	(35,313)
TEAC settlement	102,168	-	-	102,168
Gain (loss) on sale of asset	-	2,925	-	2,925
Insurance reimbursements	942	42,610	-	43,552
Interest expense	(90,796)	(327,380)	(543,351)	(961,527)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>29,698</u>	<u>(283,938)</u>	<u>(507,864)</u>	<u>(762,104)</u>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>170,325</u>	<u>505,092</u>	<u>1,107,587</u>	<u>1,783,004</u>
Transfers to other funds	(161,158)	(103,024)	(815,880)	(1,080,062)
Transfers from other funds	-	15,014	-	15,014
Capital contributions	-	1,228,151	-	1,228,151
Extraordinary item - lawsuit settlement	-	-	(287,674)	(287,674)
<b>CHANGE IN NET POSITION</b>	<u>9,167</u>	<u>1,645,233</u>	<u>4,033</u>	<u>1,658,433</u>
<b>NET POSITION - BEGINNING OF YEAR, as originally stated</b>	<u>9,823,854</u>	<u>11,812,012</u>	<u>32,960,661</u>	<u>54,596,527</u>
<b>Prior period adjustment</b>	<u>87,400</u>	<u>143,492</u>	<u>-</u>	<u>230,892</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>9,911,254</u>	<u>11,955,504</u>	<u>32,960,661</u>	<u>54,827,419</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 9,920,421</u>	<u>\$ 13,600,737</u>	<u>\$ 32,964,694</u>	<u>\$ 56,485,852</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	<b>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>GAS FUND</b>	<b>WATER SYSTEMS FUND</b>	<b>ELECTRIC DEPARTMENT</b>	<b>TOTALS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 5,043,782	\$ 5,747,707	\$ 45,539,239	\$ 56,330,728
Cash received from other funds for services	120,370	-	-	120,370
Other operating cash receipts	4,425	17,210	-	21,635
Cash payments to city - tax equivalents	-	-	(815,880)	(815,880)
Cash payments to suppliers for goods and services	(2,923,072)	(1,930,963)	(40,393,723)	(45,247,758)
Cash payments to employees for services	(1,329,261)	(2,237,021)	(1,554,616)	(5,120,898)
Customer deposits received	-	-	227,037	227,037
Customer deposits refunded	-	-	(303,262)	(303,262)
Cash payments to other funds for services	-	(147,427)	-	(147,427)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>916,244</b>	<b>1,449,506</b>	<b>2,698,795</b>	<b>5,064,545</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
TEAC settlement	102,168	-	-	102,168
Amounts paid to other funds	(146,143)	(103,024)	-	(249,167)
Sale of materials	-	4,007	-	4,007
Advances from Home Insulation Program	-	-	69,889	69,889
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(43,975)</b>	<b>(99,017)</b>	<b>69,889</b>	<b>(73,103)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of fixed assets	(363,228)	(2,979,323)	(2,227,830)	(5,570,381)
Plant removal cost	-	-	(187,027)	(187,027)
Materials salvaged from retirements	-	-	51,323	51,323
Gain on sale of capital assets	-	2,925	-	2,925
Grant proceeds	-	1,247,146	-	1,247,146
Insurance recoveries	942	42,610	-	43,552
Debt proceeds	-	1,541,050	-	1,541,050
Debt issue costs	-	(12,000)	-	(12,000)
Customer capital contributions	-	25,949	-	25,949
Advances to other funds	57,593	-	-	57,593
Principal payments on long-term debt	(366,173)	(996,724)	(545,000)	(1,907,897)
Interest paid on long-term debt	(93,278)	(333,251)	(547,030)	(973,559)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(764,144)</b>	<b>(1,461,618)</b>	<b>(3,455,564)</b>	<b>(5,681,326)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	-	(100,702)	(100,702)
Proceeds from sale of investments	-	17,830	100,000	117,830
Notes receivable - TVA Home Insulation Program	-	-	(70,224)	(70,224)
Interest on cash and investments	16,880	2,103	78,623	97,606
Miscellaneous revenues	-	-	750	750
Miscellaneous expenses	-	-	(35,313)	(35,313)
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>16,880</b>	<b>19,933</b>	<b>(26,866)</b>	<b>9,947</b>
<b>Extraordinary item</b>	<b>-</b>	<b>-</b>	<b>(287,674)</b>	<b>(287,674)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>125,005</b>	<b>(91,196)</b>	<b>(1,001,420)</b>	<b>(679,937)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>5,324,452</b>	<b>1,275,445</b>	<b>12,218,906</b>	<b>18,818,803</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 5,449,457</b>	<b>\$ 1,184,249</b>	<b>\$ 11,217,486</b>	<b>\$ 18,138,866</b>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
<b>Income (loss) from operating activities</b>	<b>\$ 140,627</b>	<b>\$ 789,030</b>	<b>\$ 1,615,451</b>	<b>\$ 2,545,108</b>
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	512,986	972,960	2,205,545	3,691,491
Amounts paid to City - tax equivalents	-	-	(815,880)	(815,880)
Change in pension related deferred outflows and inflows of resources	(21,035)	(32,587)	(1,267,759)	(1,321,381)
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	10,276	-	(20,240)	(9,964)
(Increase) decrease in other receivables	115	(21,628)	-	(21,513)
(Increase) decrease in notes receivable	-	-	-	-
(Increase) decrease in inventory	39,082	4,528	38,455	82,065
(Increase) decrease in prepaid assets	5,819	-	(174,072)	(168,253)
(Increase) decrease in due from other funds	14,087	(127,806)	-	(113,719)
(Increase) decrease in prepaid expenses	-	(4,643)	-	(4,643)
(Increase) decrease in natural gas storage	150,423	-	-	150,423
Increase (decrease) in accounts payable	(46,161)	(140,105)	47,235	(139,031)
Increase (decrease) in due to other funds	106,283	(19,621)	-	86,662
Increase (decrease) in pension liability	-	-	963,246	963,246
Increase (decrease) in OPEB	-	-	183,039	183,039
Increase (decrease) in customer deposits	5,081	(2,861)	(76,225)	(74,005)
Increase (decrease) in compensated absences	9,931	14,586	-	24,517
Increase (decrease) in accrued liabilities	(11,270)	17,653	-	6,383
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 916,244</b>	<b>\$ 1,449,506</b>	<b>\$ 2,698,795</b>	<b>\$ 5,064,545</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
OPEB	\$ -	\$ -	\$ 187,867	\$ 187,867
Acquisition of capital assets	-	2,994,337	-	2,994,337
Less: Donation of capital assets	-	783,470	-	783,470
Less: Capital assets transferred from other fund at net book value	-	15,014	-	15,014
<b>TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	<b>\$ -</b>	<b>\$ 3,792,821</b>	<b>\$ 187,867</b>	<b>\$ 3,980,688</b>

**CITY OF LEXINGTON, TENNESSEE  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016**

	<u>School Activity</u>	<u>Pension Trust Funds</u>	
	<u>Agency Fund</u>	<u>Municipal Employees</u>	<u>Electric Employees</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 95,332	\$ -	\$ -
Investments:			
Mutual funds (market value)	-	10,498,905	7,272,469
Annuities (market value)	-	213,988	-
<b>TOTAL ASSETS</b>	<u>95,332</u>	<u>10,712,893</u>	<u>7,272,469</u>
<b>LIABILITIES</b>			
Accrued liabilities	<u>95,332</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>-</u>	<u>10,712,893</u>	<u>7,272,469</u>
<b>TOTAL NET POSITION</b>	<u>\$ -</u>	<u>\$ 10,712,893</u>	<u>\$ 7,272,469</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE  
PENSION TRUST FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2016**

	<b>Pension Trust Funds</b>		
	<b>Municipal Employees</b>	<b>Electric Employees</b>	<b>Total</b>
<b>Additions</b>			
Contributions and other additions	\$ 753,926	\$ 801,380	\$ 1,555,306
Investment income	2,373	15,849	18,222
Net investment gain/(loss)	(7,954)	-	(7,954)
<b>Total Additions</b>	<u>748,345</u>	<u>817,229</u>	<u>1,565,574</u>
<b>Deductions</b>			
Fees	88,671	425	89,096
Benefits	362,489	1,148,256	1,510,745
Dividends and interest paid	-	-	-
<b>Total Deductions</b>	<u>451,160</u>	<u>1,148,681</u>	<u>1,599,841</u>
<b>Net increase (decrease) in net position</b>	297,185	(331,452)	(34,267)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>10,415,708</u>	<u>7,603,921</u>	<u>18,019,629</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 10,712,893</u>	<u>\$ 7,272,469</u>	<u>\$ 17,985,362</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1. A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity comprises the following:

Primary Government:	City of Lexington
Blended Component Units:	None

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Board or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

**1. B. BASIS OF PRESENTATION**

*Government-wide Financial Statements:*

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

*Capital Project Fund*

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

*Debt Service*

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the city other than debt service payments made by enterprise funds. This fund is used to pay the debt of the post office building. The building is rented to the U.S. Postal Service. Rental payments are used for the payment of principal and interest.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Proprietary Fund**

*Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**Fiduciary Funds (Not included in government-wide statements)**

*Agency Funds*

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e., assets equal liabilities) they do not involve the measurement of results of operations. The agency fund is as follows:

<b>Fund</b>	<b>Brief Description</b>
School Agency Fund	Accounts for student activity funds that record transactions related to resources held in fiduciary capacity for the general school population, or in some cases, for a specific segment of the school population.

*Pension Trust Funds*

Pension trust funds account for pension contributions, benefits, and distributions. The City has the following two funds: one for the Electric Department and another for the governmental departments and the remaining utility departments.

**Major and Nonmajor Funds**

The funds are further classified as major or nonmajor as follows:

<b>Fund</b>	<b>Brief Description</b>
<b>Major:</b> General	See above for description.
<i>Special Revenue Fund:</i> General Purpose School	Accounts for revenues and expenditures of the City's school.
<i>Proprietary Fund:</i> Natural Gas Fund	Accounts for activities of the government's natural gas distribution operations.
Water Systems Fund	Accounts for operations of the sewage facilities and the distribution of water.
Electric Department	Accounts for activities of the government's electric distribution operations.

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**Nonmajor**

Special Revenue Funds:

State Street Aid	Accounts for the state gas tax revenue and the expenditures legally restricted to street maintenance.
School Tax Fund	Accounts for revenues, which are primarily a portion of the State-shared sales tax revenues and transfers from the General Fund, and expenditures, which are primarily capital in nature.
School Food Service	Accounts for the school cafeteria revenues and the expenditures.
Solid Waste Collection	Accounts for the solid waste collection revenue and expenditures related to disposal services.
Dare Fund	Accounts for project revenues and expenditures related to drug awareness programs.
E-citation Fund	Accounts for revenues generated from e-citations.
Police Drug Fund	Accounts for revenues and expenditures on drug fines and enforcement costs.
Debt Service Fund	See above for description.
Capital Projects Fund	See above for description.

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates timing transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met; including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when the cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

The City does not allocate indirect costs.

#### **1.D. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds.

The City adopts its budget in accordance with the State's legal requirement which is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles.
- b. Unused appropriations for each of the annually budgeted funds lapse at the end of the year.
- c. Revisions to the budget may be made throughout the year in accordance with governing statutes and consistent with generally accepted accounting principles.

#### **1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

##### **Cash and Investments**

For the purpose of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

##### **Interfund Receivables and Payables**

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 3.H. for details of interfund transactions, including receivables and payables at year-end.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, sales taxes, and grants. Business-type activities report utilities as their major receivables.

**Inventories and Prepaid Expense**

Inventories consist primarily of supplies, valued at cost, which approximates market. Cost is determined using current costs. All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Prepaid expenses are also maintained on the consumptive basis of accounting.

**Restricted Assets**

Certain proceeds of bond issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

**Bond Discounts / Issuance Costs**

In the governmental funds bond discounts are treated as period costs in the year of issue. In the proprietary funds, bond discounts are deferred and amortized over the term of the bonds using the straight-line method if it does not differ materially from the interest method.

Bond issuance costs are treated as expenses in the year incurred in both governmental and proprietary funds except for Lexington Electric System. Lexington Electric System capitalizes bond issue costs and amortizes these costs over the life of the bond issue.

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value some of the assets acquired prior to June 30, 2003.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

The capitalization policy is as listed below:

1. Real property – Land	
a. Land – non depreciable	\$1
b. Land Improvements	\$5,000
2. Real property – Buildings	\$10,000
3. Motor Vehicles	
a. Cars/Light Trucks/Jeeps	\$ 1,000
b. Trucks/Heavy	\$ 1,000
c. Buses	\$ 1,000
d. Vans	\$ 1,000
4. Equipment	\$ 1,000
5. Personal Property	\$ 1,000

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Buildings	20-50
Equipment	5-20
Vehicles	6-15
Plant	20-50

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government's deferred outflows of resources are related to pension requirements under GASB Statement No. 68.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the government-wide Statement of Net Position and the governmental funds balance sheet. The governmental funds report unavailable revenues from one

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

source: property taxes. The second deferred inflows of resources are related to the government's pension requirements under GASB Statement No. 68.

**Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, capital lease payables, accrued compensated absences, and post-closure landfill costs.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Compensated Absences**

The City's policies regarding vacation and personal leave time permit employees to accumulate earned but unused vacation and personal leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

*Electric System*

It is the System's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay has been accrued and is reflected as a current liability on the financial statements. All sick leave has been accrued and is reflected as both a current and non-current liability on the financial statements.

*School System*

The System's policy is to pay \$10 for every unused day of sick leave accumulated at retirement. The System's financial statements do not include a liability for compensated absences as the amount is not material.

**Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered applied. It is the government's policy to considered restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes,



**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision making authority. The Board of Aldermen is the government’s highest level of decision-making authority for the government that can, be adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Nonspendable* fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

*Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The City has not yet adopted an order of fund balance spending policy. It considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Pensions – School System**

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan. Investments are reported at fair value.

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan. Investments are reported at fair value.

**1.F. REVENUES, EXPENDITURES, AND EXPENSES**

**Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Sales Tax**

The City presently levies a nine and three-quarters percent sales tax on taxable sales within the City. The sales tax is collected by the Tennessee Department of Revenue and remitted to the City in the month following receipt by the Department of Revenue. The Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is recorded in the General Fund and the School Tax Fund. Sales tax remitted to the City in July has been accrued and are included under the caption "Due from other governments."

**Property Tax**

Property taxes are levied annually on the first of January. The taxes are due and payable from the following October through February in the year succeeding the tax levy. An unperfected lien attaches by statute to property on March 1 for unpaid taxes from the prior year's levy. Taxes uncollected for one year past the due date are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues that are not generated from the daily operations are defined as non-operating.

**Expenditures/ Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

**CITY OF LEXINGTON, TENNESSEE  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2016**

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent, reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City’s compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

**2.A. FUND ACCOUNTING REQUIREMENTS**

<b>Fund</b>	<b>Required By</b>
E-citation Fund	State Law
Police Drug Fund	State Law

**2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

The City’s investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The City has no policy that further limits allowable investments.

**Pension Plan Investments**

Investments are stated at fair market value. The Plan’s investments consist of mutual funds and annuities. Purchases and sales of mutual funds are recorded on the trade-date basis. The Electric Department’s Plan investments consist only of mutual funds.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**2.C. REVENUE RESTRICTIONS**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<b>Revenue Source</b>	<b>Legal Restrictions of Use</b>
Sales Tax	Portion to fund city school program
Gasoline Excise Tax	Street purposes
Grants	Grant program expenditures
E-citation fees	E-citation equipment

**2.D. FUND EQUITY RESTRICTIONS**

**Deficit Prohibition**

Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The City had no deficit fund balances at June 30, 2016.

**2.E. BUDGET**

**Lexington City Schools**

The System is required by state law to prepare an annual budget. The budget is subject to approval by the Lexington City Council and the System cannot exceed the total budgeted expenditures.

The System uses a budgetary basis of accounting. It is consistent with GAAP, except that instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**3.A. CASH AND INVESTMENTS**

**Deposits**

The City's policies regarding deposits of cash are discussed in Note 1.D. The City maintains checking accounts with local banks. Also, some funds are held as certificates of deposit at local banks. Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and cash equivalents" and "investments". Investments consist of certificates of deposits at local banks whose original maturity exceeds three months.

The City's policies regarding deposits of cash are discussed in Note 2B.

**General Government**

As of June 30, 2016, the City's bank balances were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

**Gas System**

As of June 30, 2016, the System's deposits were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Water Systems**

As of June 30, 2016, the System's bank balances were not exposed to custodial credit risk due to being entirely covered by depository insurance (a combination of federal depository insurance with the excess covered by the State's Bank Collateral Pool).

**Electric System**

As of June 30, 2016, the System's bank deposits were fully collateralized or insured.

**School System**

Cash in bank balance represents funds on deposit in one local depository. These funds were entirely insured by FDIC or through the Bank Collateral Pool with the State of Tennessee.

**Investment-Fiduciary Fund**

The following is the asset allocation as of June 30, 2016.

	<u>City of Lexington</u>		<u>Lexington Electric</u>	
	<u>Market Value</u>	<u>Percentage of Total</u>	<u>Market Value</u>	<u>Percentage of Total</u>
Fixed income	\$ 2,981,186	28.40%	\$ 2,121,664	29.17%
Equities	7,517,719	71.60%	5,150,805	70.83%
	<u>\$ 10,498,905</u>	<u>100.00%</u>	<u>\$ 7,272,469</u>	<u>100.00%</u>

The following investments represent more than 5% of the fiduciary net position and are not issued or explicitly guaranteed by the U.S. government at June 30, 2016.

	<u>City of Lexington</u>	<u>Lexington Electric</u>
John Hancock Total Bond Market	\$ 717,247	\$ 526,845
Fidelity Advisor Total Bond Return	1,485,970	902,999
American Funds Washington Mutual	927,890	576,436
Discovery Fund	708,423	459,465
Contra Fund	683,651	455,346
JP Morgan Mid-cap Value	823,616	510,051
T-Rowe Price Equity Income	956,009	580,644
American Funds Investment Fund of America	700,550	442,316
American Funds Capital World Growth	722,652	462,309
VS Small-cap	621,554	365,304
Oppenheimer Global	592,051	421,215

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**3.B. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities consists of utilities receivable. Accounts receivable of the governmental activities consists of amounts due from the various local sources. Receivables detail at June 30, 2016, is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable	\$ 23,332	\$ 3,730,079	\$ 3,753,411
Allowance for doubtful accounts	<u>(6,201)</u>	<u>(245,226)</u>	<u>(251,427)</u>
Net accounts receivable	<u>\$ 17,131</u>	<u>\$ 3,484,853</u>	<u>\$ 3,501,984</u>

**3.C. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

	<u>Balance 7/1/15</u>	<u>Additions/ Adjustments</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/16</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 2,111,067	\$ -	\$ -	\$ 2,111,067
Construction in Progress	92,675	750,359	742,335	100,699
Total Capital assets not being depreciated	<u>2,203,742</u>	<u>750,359</u>	<u>742,335</u>	<u>2,211,766</u>
Capital assets being depreciated				
Buildings	27,510,101	-	-	27,510,101
Equipment	7,602,817	680,994	91,916	8,191,895
Infrastructure	16,206,440	-	-	16,206,440
Improvements	7,011,062	701,279	-	7,712,341
Total Capital assets being depreciated	<u>58,330,420</u>	<u>1,382,273</u>	<u>91,916</u>	<u>59,620,777</u>
Less accumulated depreciation for:				
Buildings	11,328,972	541,753	-	11,870,725
Equipment	5,994,721	389,840	91,916	6,292,645
Infrastructure	11,687,360	43,925	-	11,731,285
Improvements	3,723,748	365,359	545	4,088,562
Total accumulated depreciation	<u>32,734,801</u>	<u>1,340,877</u>	<u>92,461</u>	<u>33,983,217</u>
Total capital assets, being depreciated, net	<u>25,595,619</u>			<u>25,637,560</u>
Governmental activities capital assets, net	<u>\$ 27,799,361</u>			<u>\$ 27,849,326</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated				
Land	\$ 224,934	\$ 12,000	\$ -	\$ 236,934
Construction in Progress	2,169,318	358,747	1,207,624	1,320,441
Total Capital assets not being depreciated	<u>2,394,252</u>	<u>370,747</u>	<u>1,207,624</u>	<u>1,557,375</u>
Capital assets being depreciated				
Buildings	1,719,046	93,797	-	1,812,843
Equipment	7,940,890	877,212	359,460	8,458,642
Plant	109,230,473	5,753,051	328,228	114,655,296
Total Capital assets being depreciated	<u>118,890,409</u>	<u>6,724,060</u>	<u>687,688</u>	<u>124,926,781</u>
Less accumulated depreciation for:				
Buildings	977,708	36,676	-	1,014,384
Equipment	5,552,316	597,578	288,531	5,861,363
Plant	43,838,370	3,303,109	463,932	46,677,547
Total accumulated depreciation	<u>50,368,394</u>	<u>3,937,363</u>	<u>752,463</u>	<u>53,553,294</u>
Total capital assets, being depreciated, net	<u>68,522,015</u>			<u>71,373,487</u>
Business-type activities capital assets, net	<u>\$ 70,916,267</u>			<u>\$ 72,930,862</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Function	
General and administrative	\$ 233,525
Public safety	222,417
Public works	192,053
Health, recreation and welfare	692,882
Total depreciation expense	<u>\$1,340,877</u>

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**3.D. ACCOUNTS PAYABLE**

Payables in the general fund and nonmajor governmental funds are composed of payables to vendors.

**3.E. OPERATING LEASES**

Various schools and the Board of Education have operating leases for the use of copiers. This cost is recorded as instructional and administrative expenditures. The terms of these lease arrangements vary.

**3.F. PREPAID MEALS**

The amount for prepaid meals on the School Food Authority Fund reflects money that students and staff have credited toward meals in the following school year. The overpayment amount may be refunded to persons or applied to that person's meal account in the following year. In the event that a student graduates, the overpayment may be refunded or applied to another family member's meal account.

**3.G. LONG-TERM LIABILITIES**

The reporting entity's long-term liabilities is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**Governmental Activities**

As of June 30, 2016, the governmental long-term liabilities of the financial reporting entity consisted of the following:



**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Governmental Activities**

**General Obligation Bonds**

2010 General Obligation Refunding Bond dated March 1, 2011, through September 1, 2019, bearing interest rates of 2% to 3%. \$ 1,625,000

2003 General Obligation Refunding Bonds dated March 12, 2003, due December 1, 2003, through December 1, 2016, bearing interest rates of 1.75% to 5.40%. 180,000

2012 General Obligation School Bonds dated May 1, 2012, due June 1, 2013, through June 1, 2032, bearing interest rates of 1.00 to 3.125%. 5,730,000

2009 Refunding and Improvement Bonds dated April 16, 2009, due October 1, 2009 through April 1, 2034, bearing interest rates of 2.00% to 5.00%, 1,170,000

2004 Qualified Zone Academy Bonds, due November 24, 2005, through November 24, 2020, bearing 0% interest. 377,644

2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%. 264,940

**Capital Outlay Notes**

2005 capital outlay note. Interest 4.05% with final payment due September 1, 2017. 100,000

2012 Energy Efficient School Initiative loan, due in monthly payments of \$2,936 thru 2022, bearing 0% interest. 202,596

9,650,180

**Other Liabilities**

Compensated absences 1,072,102

Unamortized debt premiums 6,786

Landfill closure costs 216,464

**Total Government Activity** \$ 10,945,532

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Business-type Activities**

**Revenue Bonds**

2009 Gas Refunding Bonds, dated April 16, 2009, due October 1, 2009 through April 1, 2034, interest 2.00% to 5.00%	\$ 1,485,000
2011 Gas Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	970,000
2011 Water Refunding Bonds, dated March 1, 2011, through March 1, 2019, interest 2.00% to 3.00%.	635,000
2009 Water and Sewer Refunding Bonds, dated April 16, 2009, due October 1, 2009 through April 1, 2034, interest 2.00% to 5.00%	5,340,000
2007 Electric Department Revenue Bonds, dated April 24, 2007, due November 1, 2007 through May 1, 2032, bearing an interest rate of 4.09%.	6,985,000
2011 Electric Plant Revenue Bonds, variable interest of 2.0% to 4.0% due serially through 2037	7,315,000

**Notes Payable**

Local Government Loan Program Bond, Series 2015, variable interest	1,541,050
--	-----------

**General Obligation Bonds**

2012 General Obligation Bonds - Gas portion, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	18,162
2012 General Obligation Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1% to 2%.	3,511,897

**Other liabilities**

Compensated absences	2,357,507
Unamortized debt premiums	47,829

<b>Total Business-type Activities</b>	<b><u>\$ 30,206,445</u></b>
---------------------------------------	-----------------------------

**Changes in Long-Term Liabilities**

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

	<u>Balance 7/1/2015</u>	<u>Issues or Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2016</u>	<u>Due within one year</u>
<b><u>Governmental Type Activities</u></b>					
General Obligation Bonds	\$ 10,335,217	\$ -	\$ 987,633	\$ 9,347,584	\$ 1,019,030
Notes Payable	382,828	-	80,232	302,596	85,232
Landfill Closure Costs	218,577	-	2,113	216,464	-
Compensated Absences	1,198,861	-	126,759	1,072,102	-
Unamortized debt premiums	7,258	-	472	6,786	472
Total governmental type activities	<u>12,142,741</u>	<u>-</u>	<u>1,197,209</u>	<u>10,945,532</u>	<u>1,104,734</u>
<b><u>Business Type Activities</u></b>					
Revenue Bonds	24,410,000	-	1,680,000	22,730,000	1,295,000
Notes Payable	-	1,541,050	-	1,541,050	1,541,050
General Obligation Bonds	3,757,955	-	227,896	3,530,059	246,499
Compensated Absences	2,304,400	336,588	283,481	2,357,507	312,072
Unamortized debt premiums	52,129	-	4,300	47,829	4,300
Total business type activities	<u>30,524,484</u>	<u>1,877,638</u>	<u>2,195,677</u>	<u>30,206,445</u>	<u>3,398,921</u>
Total government	<u>\$ 42,667,225</u>	<u>\$ 1,877,638</u>	<u>\$ 3,392,886</u>	<u>\$ 41,151,977</u>	<u>\$ 4,503,655</u>

**Water Systems**

During the year the Water System entered into an agreement to borrow \$2,000,000 in loan funds from the Municipal Bond Fund. They had borrowed \$1,541,050 at June 30, 2016. These funds will be considered general obligation debt.

**Other Long-term liabilities**

Governmental-type compensated absences have been paid in prior years by the General Fund. Landfill post closure costs have been paid in prior years by the Solid Waste Fund.

**Annual Requirements to Retire Debt Outstanding**

The annual aggregate maturities for each note payable for the years subsequent to June 30, 2016 are as follows:

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

<b>General Obligation Bonds</b>						
Year Ending June 30,	Governmental Activities		Business-type Activities		Principal and Interest Total	
	Principal	Interest	Principal	Interest		
2017	\$ 1,019,030	\$ 243,627	\$ 246,499	\$ 59,704	\$ 1,568,860	
2018	850,077	223,411	260,452	57,240	1,391,180	
2019	870,775	206,012	269,754	54,634	1,401,175	
2020	886,473	184,539	279,056	51,667	1,401,735	
2021	477,170	169,554	288,358	47,899	982,981	
2022-2026	2,159,731	690,787	1,595,269	157,109	4,602,896	
2027-2031	2,394,328	363,917	590,671	16,465	3,365,381	
2032-2036	690,000	38,099	-	-	728,099	
<b>Total</b>	<b>\$ 9,347,584</b>	<b>\$ 2,119,946</b>	<b>\$ 3,530,059</b>	<b>\$ 444,718</b>	<b>\$ 15,442,307</b>	

  

<b>Notes Payable</b>						
Year Ending June 30,	Governmental Activities		Business-type Activities			
	Principal	Interest	Principal	Interest		
2017	\$ 85,232	\$ 3,038	\$ 1,295,000	\$ 856,350		
2018	85,232	1,013	1,335,000	818,289		
2019	35,232	-	1,370,000	776,525		
2020	35,232	-	1,075,000	731,452		
2021	35,232	-	940,000	696,508		
2022-2026	26,436	-	5,315,000	2,934,375		
2027-2031	-	-	6,530,000	1,805,916		
2032-2036	-	-	4,365,000	500,992		
2037	-	-	505,000	10,100		
	<b>\$ 302,596</b>	<b>\$ 4,051</b>	<b>\$ 22,730,000</b>	<b>\$ 9,130,507</b>		

**3.H. INTERFUND TRANSACTIONS AND BALANCES**

**Operating Transfers**

	TRANSFER FROM							Totals
	General	Police Drug	Solid Waste	School Tax Fund	Lexington Electric	Water	Gas	
<b>TRANSFER TO</b>								
General	\$ -	\$ -	\$ 95,950	\$ -	\$ 815,880	\$ 103,024	\$ 146,144	\$ 1,160,998
Water Fund	-	-	-	-	-	-	15,014	15,014
Police Drug Fund	27,205	-	-	-	-	-	-	27,205
School Tax Fund	2,500	-	-	-	-	-	-	2,500
DARE	-	2,000	-	-	-	-	-	2,000
School Debt	-	-	-	969,411	-	-	-	969,411
General Purpose School	680,000	-	-	383,000	-	-	-	1,063,000
<b>GRAND TOTALS</b>	<b>\$ 709,705</b>	<b>\$ 2,000</b>	<b>\$ 95,950</b>	<b>\$ 1,352,411</b>	<b>\$ 815,880</b>	<b>\$ 103,024</b>	<b>\$ 161,158</b>	<b>\$ 3,240,128</b>

The transfers from General Fund to other various funds are all for operating expenses. The transfers from the Water, Natural Gas, and Electric Funds to the General Fund are for in-lieu of taxes. Transfers from the Sales Tax Fund to the School Debt Fund are for debt payments and capital outlay expenditures.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Interfund Receivables and Payables**

	DUE TO:				
	General	Solid Waste	Water Systems	Gas	Totals
<b>DUE FROM:</b>					
General	\$ -	\$ -	\$ 26,636	\$ 5,932	\$ 32,568
Solid Waste	-	-	-	428	428
Gas	405	50,406	518,260	-	569,071
Water Systems	1,349	-	-	5,679	7,028
	\$ 1,754	\$ 50,406	\$ 544,896	\$ 12,039	\$ 609,095

Transactions arising from Water, Sewer, and Garbage Fund billing of utility services are recorded in these accounts between the Gas, Water System, and Solid Waste Funds. The amounts due to the General Fund from the Water and Gas Funds are for expenses paid by the General Fund and not yet reimbursed by the other funds.

**3.I. ON-BEHALF PAYMENTS**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lexington City School System. These payments are made by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the State's Comprehensive Annual Financial Report. Payments by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2016 were \$27,530 and \$13,850, respectively. The System has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**NOTE 4. OTHER NOTES**

**4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

**Pension Plan Obligations:**

Certain employees of the City, except school employees, are members of the City's contributory, defined benefit pension plan, a single-employer plan. School department information is included in another note. The plan was established by City ordinance and may be amended by such.

**Plan Description**

The City of Lexington pension committee administers the Retirement Plan for Employees of The City of Lexington (Plan) – a single employer defined benefit pension plan that provides pensions for employees.

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**Participant Data**

Inactive Plan Participants as of January 1, 2015:

Retirees and beneficiaries currently receiving benefits	4
Terminated employees entitled to deferred benefits	24
Disabled employees entitled to deferred benefits	<u>3</u>
Total	31

Active Plan Participants as of January 1, 2015:

Vested	68
Partially-vested	31
Non-vested	<u>7</u>
Total	106

**Summary of Plan Provisions**

Effective Date: May 1, 1973

Fiscal Year Beginning: 01/01/15

Eligibility Requirements: Minimum age of 20 and 12 minimum months of service. Entry date is the first day of the month coinciding with or next following the date the requirements are met.

Normal Retirement Date: First day of the month coinciding with or next following attainment of age 60.

Normal Retirement Benefit Formula:

Effective July 1, 2000 monthly annuity is equal to the sum of (1) and (2) below:

- (1) 2.25% of the member's Average Monthly Earnings multiplied by years of Credited Service up to a maximum of 30 years.
- (2) 1.85% of member's Average Monthly Earnings multiplied by years of Credit Service in excess of 30 years.

For contributing members as of April 1, 1986, minimum monthly annuity is equal to 3.33% of member's Average Monthly Earnings multiplied by years of credited service subject to a maximum of 15 years. Members of the prior plan will receive a benefit no less than 40% of the average monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater.

Average Monthly Earnings: The greater of (i) average of monthly compensation for the 5 consecutive years of highest compensation and (ii) monthly compensation during the year immediately preceding the participant's 60<sup>th</sup> birthday.

Credited Service: Number of years and completed months of active participation in this plan and the prior plan.

Normal Form of Benefits: Single: Single Life Annuity with 120 months certain.  
 Married: Equivalent 50% Joint and Survivor Annuity

Maximum Annual Benefit: \$ 210,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

Employee Contributions: Monthly contributions equal to 6% of member's monthly earnings.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

Credited Interest: 5% per annum compounded annually.

Early Retirement Benefit: Minimum Age: 50; Minimum Service: 10 years; Benefit Amount: based on service and earnings at termination, reduced actuarially.

Late Retirement Benefit: Normal retirement benefit increased 8% per annum for each year that retirement is deferred.

Pre-Retirement Death Benefit: Member contributions credited with interest to the date of death.

Disability Benefit: Normal retirement benefit at date of disability reduced by the ratio of years of service at disability to years of service projected to normal retirement date. The benefit will commence the first day of the sixth month following determination of disability under the Social Security Act.

Vested Termination Benefit: A member who terminates employment with less than 5 years of credited service may elect to receive, at any time prior to retirement, either: i) a return of member contributions with interest to the date of payment, or ii) income payments at retirement provided by his own contributions with interest. A member who terminates employment with 5 or more years of service will be entitled to a percentage of the benefit earned based on years of credited service and average monthly earnings at separation from service. The percentage is determined as follows:

<u>Years of Credited Service</u>	<u>Percentage</u>
Less than 5	0%
5	25%
6	40%
7	55%
8	70%
9	85%
10 or more	100%

**Contribution Required**

Actuarially determined contributions to the Plan are determined each year as part of the actuarial valuation process. These contributions are determined according to the following funding policy.

Actuarial Cost Method: Individual Entry Age Normal, Level of Percentage of Pay

Asset Valuation Method: Market Value of Assets adjusted to phase in asset gains and losses after January 1, 2002 over a 5-year period at a rate of 20% per year. Valuation assets are further limited to a 20% corridor around market value.

Amortization Method: The amortization method shall be the Plan's Normal Cost plus a 30-year amortization of the Unfunded Liability as of January 1, 2015. The amortization period for future experience gains and losses shall be 10 years from the date of the actuarial valuation.

**Investments**

Investment information has been provided by John Hancock.

Investment Policy: As of the release of this report, we have not received the target investment allocations. The target allocations can be obtained from your investment advisor.

Rate of Return: For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.02%. The money-weighted rate of return

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability**

The City's net pension liability of \$2,507,386 was measured as of June 30, 2015.

**Actuarial Assumptions (for calculation of the Net Pension Liability)**

Post-Retirement

Mortality – 2014 Combined Static Mortality Table

Investment Return – 7.50% per annum

Pre-Retirement

Mortality – 2014 Combined Static Mortality Table

Investment Return – 7.50% per annum

Salary Projection – 4.00% per annum. The assumption selected is consistent with the plan sponsor's current compensation practice. This reflects consideration of the following factors:

- Available compensation data, including:
  - Plan sponsor's current compensation practice and any anticipated changes
  - Current compensation distributions by age or service
  - Historical compensation increases and practices of the plan sponsor and other plan sponsors in the same industry or geographic area
  - Historical national wage increases and productivity growth
- Competitive factors (within industry or geographic area or globally)
- Consider collective bargain agreements
- Compensation volatility (bonuses and overtime pay)
- Expected plan freeze or termination
- Multiple compensation increase assumptions
  - Select and ultimate (vary by period or by age or service)
  - Separate assumptions for different employee groups
  - Separate assumptions for different compensation elements

Retirement Age – age 62 or current age if later

Expense Loading – none

Age	Pre-Retirement Decrement Rates					
	Mortality		Withdrawal		Disability	
	Male	Female	Male	Female	Male	Female
25	0.028%	0.014%	9.000%	9.000%	0.060%	0.060%
30	0.039%	0.020%	7.500%	7.500%	0.060%	0.060%
35	0.067%	0.035%	6.000%	6.000%	0.089%	0.089%
40	0.086%	0.046%	4.500%	4.500%	0.183%	0.183%
45	0.105%	0.070%	3.000%	3.000%	0.306%	0.306%
50	0.137%	0.105%	1.500%	1.500%	0.492%	0.492%
55	0.219%	0.219%	0.000%	0.000%	0.804%	0.804%
60	0.463%	0.448%	0.000%	0.000%	1.202%	1.202%



**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Long-Term Expected Rate of Return on Pension Plan Investments**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current rate:

	<b>1% Decrease 6.50%</b>	<b>Current Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Plan's net pension liability	\$ 4,372,411	\$ 2,507,386	\$ 949,852

**Change in City's Net Pension Liability**

Changes in the City's net pension liability for the year ended June 30, 2015 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/14	\$ 11,266,663	\$ 9,358,784	\$ 1,907,879
Changes for the year:			
Service cost	423,129	-	423,129
Interest	872,786	-	872,786
Differences between expected and actual experience	237,578	-	237,578
Contributions - employer	-	510,282	(510,282)
Contributions - employee	-	263,830	(263,830)
Net investment income	-	193,153	(193,153)
Benefit payments	(107,243)	(107,243)	-
Administrative expense	-	(33,279)	33,279
Net changes	1,426,250	826,743	599,507
Balances at 6/30/15	\$ 12,692,913	\$ 10,185,527	\$ 2,507,386

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the measurement period ended June 30, 2015, the City recognized pension expense of \$339,064. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 207,505	\$ -
Net difference between projected and actual earnings on pension plan investments	425,670	412,649
Contributions subsequent to the measurement date of June 30, 2015	497,604	-
Total	\$ 1,130,779	\$ 412,649

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	(1,060)
2017	(1,060)
2018	(1,060)
2019	136,492
2020	30,073
Thereafter	57,140

**Payable to the Pension Plan**

At June 30, 2016, the City reported \$ 0 payable for outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

**Defined Contribution Plan**

The City began offering a 403(b) defined contribution plan to their eligible employees hired after April 1, 2012. The City of Lexington Retirement Asset Accumulation Plan became effective on April 1, 2012 and is administered by the City of Lexington. Employees are required to make a mandatory contribution of 6% of their annual compensation and the City matches their contribution with an equal amount. The employer's contributions are not vested until after five annual periods in the plan. The employer has the right to amend the Plan at any time. In no event, however, will any amendment authorize or permit any part of the Plan assets to be used for purposes other than the exclusive benefit of Participants or their beneficiaries. The City's current year contributions to the plan were as follows:

General Government	\$30,791
Water System	\$16,968
Gas System	\$ 8,408

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**Electric System**

*General information:* The Board of the Lexington Electric System accounts for the activity of the Retirement Income Plan for Employees of Lexington Electric System. The Plan is a single employer public employee retirement System administered by USI Consulting Group, Inc. No employees enter the plan after April 1, 2012.

*Benefits provided:* The Plan provides normal retirement benefits at age 60.

*Normal form of retirement income:* The normal form of retirement income for a single member is a Single Life Annuity with 120 months certain. The normal form of benefit for a married member is an equivalent 50% Joint and Survivor Annuity.

*Normal retirement benefit:* Effective March 1, 2000, the monthly annuity is equal to the sum of 2.25% of the members Average Monthly Earnings multiplied by years of Credited Service for the member's first 30 years of Credited Service and 1.85% of the member's Average Monthly Earnings, multiplied by years of Credited Service in excess of 30 years. For contributing members as of April 1, 1986, minimum monthly annuity will equal to 3.33% of member's Average Monthly Earnings multiplied by years of Credited Service subject to a maximum of 15 years. A member of the plan will receive a benefit of no less than 40% of the average of monthly earnings during the period of 5 consecutive years in which his earnings were highest or 40% of his salary at age 64, whichever is greater. Average Monthly Earnings means the greater of (1) the average of monthly compensation for the 5 consecutive years of highest compensation, and (2) monthly compensation during the year immediately preceding the participant's 60<sup>th</sup> birthday. Maximum annual compensation is \$215,000 as adjusted per IRC Sec. 415 for retirement age other than social security retirement age and annuity form.

*Early retirement:* Once a member has attained age 50 and completed 10 years of service he/she may take an early retirement benefit based on service and earnings at termination, reduced actuarially.

*Late retirement:* If a member works past normal retirement age his/her normal retirement benefit will be increased eight percent per annum for each year that retirement is deferred.

*Death benefit:* If a participant dies prior to retirement he/she will receive his/her member contributions credited with interest to the date of death plus the actuarially equivalent value of the member's accrued benefit, if greater than the member contributions with interest.

*Benefits upon disability:* A disabled participant will receive a normal retirement benefit calculated at the date of disability reduced by the ratio of years of service at disability to years of service projected to normal retirement date. The benefit will commence the first day of the sixth month following determination of disability under the Social Security Act.

*Vested termination benefit:* A member who terminates employment with less than five years of credited service may elect to receive, at any time prior to retirement, either a return of member contributions with interest to the date of payment or income payments at retirement provided by his/her own contribution with interest. A member who terminates employment with five or more years of credited service will be entitled to a percentage of the benefit earned based on years of credited service and average monthly earnings at separation from service.

The percentage is determined using the following table:

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

<u>Years of Credited Service</u>	<u>Percentage</u>
less than 5	0%
5	25%
6	40%
7	55%
8	70%
9	85%
10 or more	100%

*Contributions:* Lexington Electric System is required to contribute the amounts necessary to fund the Plan, as determined by the actuary. Employees are required to contribute 6% of their monthly earnings.

At June 30, 2015, the following employees were covered by the Plan:

Active employees:	
Fully or partially vested	30
Non-vested	11
Terminated employees entitled to deferred benefits	5
Retirees and beneficiaries currently receiving benefits	<u>6</u>
	<u><u>52</u></u>

*Funded status and funding progress:* As of June 30, 2015 the actuarial accrued liability for benefits was \$10,989,860 and the net pension liability was \$3,385,939. The total covered payroll was \$2,341,064 and the ratio of net pension liability to covered payroll was 144.63%.

*Net pension liability:* The components of the net pension liability of the Retirement Income Plan for the Employees of Lexington Electric System at June 30, 2016 and 2015 are detailed in the following tables. The first table is required to be disclosed due to the inclusion of the fiduciary fund statement's in the System's financial statements. The Total Pension Liability was rolled forward to June 30, 2016 in order to be in compliance with GASB Statement No. 67. The second table shows the net pension liability as of June 30, 2015, which is what is reported in the proprietary financial statements in accordance with GASB Statement No. 68.

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/15	\$ 10,989,860	\$ 7,603,921	\$ 3,385,939
Changes for the year:			
Service cost	212,645	-	212,645
Interest	771,286	-	771,286
Differences between expected and actual experience	32,345	-	32,345
Change of assumptions	-	-	-
Contributions - employer	-	663,487	(663,487)
Contributions - employee	-	137,893	(137,893)
Net investment income	-	15,849	(15,849)
Benefit payments	(1,148,256)	(1,148,256)	-
Administrative expense	-	(425)	425
Net changes	(131,980)	(331,452)	199,472
Balances at 6/30/16	<u>\$ 10,857,880</u>	<u>\$ 7,272,469</u>	<u>\$ 3,585,411</u>

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/14	\$ 9,322,833	\$ 6,900,138	\$ 2,422,695
Changes for the year:			
Service cost	215,316	-	215,316
Interest	706,762	-	706,762
Differences between expected and actual experience	819,077	-	819,077
Change of assumptions	159,411	-	159,411
Contributions - employer	-	663,487	(663,487)
Contributions - employee	-	138,780	(138,780)
Net investment income	-	135,350	(135,350)
Benefit payments	(233,539)	(233,539)	-
Administrative expense	-	(295)	295
Net changes	1,667,027	703,783	963,244
Balances at 6/30/15	<u>\$ 10,989,860</u>	<u>\$ 7,603,921</u>	<u>\$ 3,385,939</u>

**Change of Assumptions**

Effective June 30, 2015, the investment return is 7.25% per annum and the post-retirement mortality is the Tennessee Consolidated Retirement System mortality table. Prior to June 30, 2015, the investment return was 7.5% and the pre and post-retirement mortality table were the 2014 IRS Combined Static mortality table.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability calculated using the discount rate of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

	<b>2016</b>		
	<b>Current</b>		
	<b>1% Decrease 6.50%</b>	<b>Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Total pension liability	\$ 12,537,478	\$ 10,989,860	\$ 9,440,707
Plan fiduciary net position	7,272,469	7,272,469	7,272,469
Net pension liability	<u>\$ 5,265,009</u>	<u>\$ 3,717,391</u>	<u>\$ 2,168,238</u>
	<b>2015</b>		
Total pension liability	\$ 12,607,971	\$ 10,857,880	\$ 9,630,628
Plan fiduciary net position	7,603,921	7,603,921	7,603,921
Net pension liability	<u>\$ 5,004,050</u>	<u>\$ 3,253,959</u>	<u>\$ 2,026,707</u>

**Net Pension Liability**

The System's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the July 1, 2015 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age accrued liability, level percentage of pay
Amortization Method	Level dollar amortization, closed
Remaining Amortization period	28 years as of 7/1/16
Asset valuation method	Market value of plan assets adjusted to phase in gains and losses over a five-year period at a rate of 20% per year
Salary increases	4.00% per annum
Investment rate of return	7.25% per annum
Retirement age assumption	100% at age 60
Mortality table:	
Pre-retirement mortality	2014 Small Plan Combined Static Mortality
Post-retirement mortality	TCRS Mortality Table
Disability mortality	TCRS Mortality Table

The actuarial assumptions used in the July 1, 2016 and 2015 valuations were based on the results of actuarial experience studies for the periods July 1, 2015 through June 30, 2016 and July 1, 2014 through June 30, 2015 respectively.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employees do not contribute to the plan and that contributions from the employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all future payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the measurement periods ended June 30 2015 and 2014, the System recognized pension expense of \$333,670 and \$174,860. At June 30, 2015 and 2014, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 707,028	\$ -
Change of assumptions	137,604	-
Net difference between projected and actual earnings on pension plan investments	-	55,397
Contributions subsequent to the measurement date of June 30, 2015	663,487	-
<b>Total</b>	<b>\$ 1,508,119</b>	<b>\$ 55,397</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	503,828
Contributions subsequent to the measurement date of June 30, 2014	688,791	-
<b>Total</b>	<b>\$ 688,791</b>	<b>\$ 503,828</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$	88,518
2017		88,518
2018		88,516
2019		214,475
2020		133,856
Thereafter		175,352

**Electric System**

The System began offering a 403(b) defined contribution plan to their eligible employees hired after April 1, 2012. The System matches their employee's contributions, which can be up to 6% of the employee's annual compensation. The employer's contributions are not vested until after five annual periods in the plan. The System's current year contributions to the plan were \$37,433. The Retirement Committee of the Lexington Electric System serves as administrator. John Hancock, in conjunction with Edward Jones, serves as the investment firm of the plan.

**School Department**

**General Information about the Pension Plan**

*Plan description.* Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Lexington City Schools are provided with pensions through the Teacher Legacy

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed now to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**1. Teacher Legacy Pension Plan**

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Lexington City Schools for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were \$356,483 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension asset.* At June 30, 2015, the Lexington City Schools reported a liability of \$42,114 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Lexington City School's proportion of the net pension liability was based on Lexington City School's employer contributions to the pension plan relative to the contributions of all LEAs. At the measurement date of June 30, 2015 Lexington City Schools' proportion was 0.102809 percent. The proportion measured as of June 30, 2014 was 0.104835 percent.

*Negative pension expense.* For the year ended June 30, 2016, Lexington City Schools recognized a negative pension expense of \$37,668.



**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2016, Lexington City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,798	\$ 655,511
Net difference between projected and actual earnings on pension plan investments	760,448	1,032,349
Changes in proportion of Net Pension Liability (Asset)	11,095	21,661
LEA's contribution subsequent to the measurement date of June 30, 2015	<u>299,727</u>	<u>n/a</u>
Total	<u>\$ 1,105,068</u>	<u>\$ 1,709,521</u>

Lexington City Schools employer contribution of \$299,727, reported as pension related deferred outflows or resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2017. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30:**

2017	\$ (280,460)
2018	(280,460)
2019	(280,460)
2020	63,656
2021	(126,546)
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

Cost-of Living Adjustment      2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012. (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed marked international equity	6.26%	17%
Emerging marked international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.* The following presents Lexington City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Lexington City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percent-point higher (8.5 percent) than the current rate:

	<b>1% Decrease 6.50%</b>	<b>Current Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 2,871,194	\$ 42,114	\$ (2,300,031)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**Payable to the Pension Plan**

At June 30, 2016, Lexington City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

**2. Teacher Retirement Plan**

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were \$10,118, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension liabilities.* At June 30, 2016, Lexington City Schools reported an asset of \$4,146 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Lexington City Schools' proportion of the net pension asset was based on Lexington City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015 Lexington City Schools' proportion was 0.103052 percent.

*Pension expense.* For the year ended June 30, 2016, Lexington City Schools recognized a pension expense of \$5,433.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2016, Lexington City Schools reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,349
Net difference between projected and actual earnings on pension plan investments	335	-
Lexington City Schools' contributions subsequent to the measurement date of June 30, 2014	<u>15,256</u>	<u>(not applicable)</u>
Total	<u>\$ 15,591</u>	<u>\$ 1,349</u>

Lexington City Schools; employer contributions of \$15,256 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2017.

**Payable to the Pension Plan**

At June 30, 2016, Lexington City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

**Non-Professional Staff:**

The non-professional staff members of the System may elect a retirement plan option. The Lexington City School Board authorized funds for a 403-b tax sheltered individual annuity plan for each of the 25 qualifying individuals. The system would match a minimum of \$300 for the individual staff's \$300, for a total of \$600 required as a minimum contribution by Horace Mann authorized carriers to provide the plan. The system

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

would match 3.5% of staff total yearly salary, with minimum match of \$300. Total contributions by the system amounted to \$ 41,074 for the 15-16 school year.

**4.B. POST EMPLOYMENT HEALTHCARE PLAN – Electric System**

**Plan Description** – Lexington Electric System sponsors a single-employer post-retirement benefit plan. The plan provides medical and death benefits to eligible retirees and their spouses. Since the benefits are the ongoing medical and life benefits of the System, it is administered through the same oversight unit, which is the Board of Aldermen, the directors of the System, as the rest of the operations of the System.

**Funding Policy** – The System intends to continue its policy of funding OPEB liabilities on a pay-go basis and to not pre-fund any unfunded annual required contributions as determined under GASB 45.

**Annual OPEB Cost and Net OPEB Obligation** – The System’s annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the System’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the System’s net OPEB obligation.

**Components of Net OPEB Obligation**

Annual required contribution	\$ 327,527
Interest on Net OPEB obligation	38,030
Adjustment to annual required contribution	<u>(49,516)</u>
Annual OPEB cost (expense)	316,041
Contributions and subsidy	<u>(133,002)</u>
Increase in net obligation	183,039
Net OPEB obligation (BOY)	<u>950,756</u>
Net OPEB (asset) obligation (EOY)	<u><u>\$ 1,133,795</u></u>

The System’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2016 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 316,041	42.10%	\$ 1,133,795

**Funded Status and Funding Progress** – As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$3,079,828 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAT) of \$3,079,828. The covered payroll (annual payroll of active employees covered by the plan) was \$2,645,385 and the ratio of the UAAL to the covered payroll was 116.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions** – Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5% after ten years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2014 was 25 years.

**4.C. RISK MANAGEMENT**

Beginning April 2015, medical insurance for employees is provided by self-funding claims as they arise. Under this arrangement, the System provides coverage for the deductible up to a maximum of \$5,000 per year for each employee’s medical claims. Claims expenditures and liabilities are reported under the self-insurance plan when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Changes in the claims liability for all employees are as follows:

<b>Balance at 7/1/2015</b>	<b>Incurred Claims</b>	<b>Claims Payments</b>	<b>Balance at 6/30/2016</b>
\$ 18,579	\$ 259,237	\$ 237,079	\$ 40,737

**4.D. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool, a public entity risk pool, for errors and omissions, automobile liability and physical damage, workers’ compensation, and employees’ liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years. The Tennessee Municipal League Risk Management Pool has been self-sustaining through member premiums. Members consist of local jurisdiction municipalities and utility districts in the state. Members are responsible for a pro-rata portion of claims which exceed the Pool’s reserves. No additional assessments have ever been made by the Pool to its members as a result of losses experienced.

*School System*

The System participates in the Tennessee Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee Boards Association, an association of member school districts.

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

The System pays an annual premium to the TSB-RMT for its general liability, property, casualty and worker's compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years.

*Electric System*

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2016 the System purchased commercial insurance for all of the above risks. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in the amount of coverage provided.

**4.E. LANDFILL POSTCLOSURE COSTS**

In prior years the City has jointly operated a landfill with Henderson County. This landfill is now closed. State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City will report a portion of postclosure care costs as an operating expense in each fiscal year. The City has recognized postclosure costs of \$216,464 as a long-term liability in the statement of net position. These amounts are based on what it would currently cost to perform all postclosure care. Actual cost may be higher due to inflation or deflation, technology, or applicable laws or regulations.

**4.F. COMMITMENTS AND CONTINGENCIES**

The City is a defendant in various lawsuits brought against it. The City cannot predict the outcome of these cases and it is possible losses could be incurred. The amount of such possible losses cannot be determined.

**Electric System**

The electric system has a power contract with the Tennessee Valley Authority (TVA) whereby the electric system purchases all its electric power from TVA and is subject to certain restrictions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishings, advancing, lending, pledging or otherwise diverting system funds, revenues or property to other operations of the county and the purchase or payment of, or providing security for indebtedness on other obligations applicable to such other operations.

**4.G. IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015, provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This statement effected the reporting of investments relating to the fiduciary fund in the current year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for financial statements for periods beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the financial reports of state and local

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The scope of this Statement includes OPEB plans – defined benefit and defined contribution – administered through trusts that meet the following criteria: 1) Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable, 2) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with benefit terms, and 3) OPEB plan assets are legally protected from the creditors or employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for financial statements for periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In March 2016, the GASB issued Statement 82, *Pension Issues – an amendment of GASB Statement 67, Financial Reporting for Pension Plans, GASB Statement 68, Accounting and Financial Reporting for Pensions, and GASB Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, effective for fiscal years beginning after June 15, 2016. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classifications of payments made by the employer to satisfy employee (plan member) contribution requirements. The City has opted to early implement this Statement.

*Presentation of Payroll-Related Measures in Required Supplementary Information*

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is payroll of employees that are provided with pension through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends 67 and 68 to instead require the presentation of covered payroll, defined as payroll on which contributions to a pension plan are based, and ratios that use that measure.

*Selection of Assumptions*

This Statement clarifies that a deviation, as the term is used in Actuarial Standards Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in



**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

Classification of Employer-Paid Member Contributions

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The City has opted to early implement this Statement.

**4.H. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

Lexington Gas System

As of June 30, 2016, the System had incurred \$69,823 for the new gas shop. Of that amount, \$48,102 was design costs attributed to the engineers and the remaining \$21,721 was for relocating the electrical lines feeding the site. This project is expected to be bid February 2017. When completed, the building will house the warehouse/maintenance aspects of both Gas and Water Systems.

As of June 30, 2016, the System had incurred \$31,389 for the GIS Mapping project. A-Z Data was awarded the bid for this project in October 2015 for a total amount of \$56,500. The scope of the project with A-Z encompasses establishing an open source Geographic Information System utilizing QGIS software and a data collection process using Fulcrum Apps.

The System has a bypass project with estimated costs of \$134,903. As of June 30, 2016, there is approximately \$86,146 remaining to complete this project. The System has \$535 that is to be reimbursed by the Department of Transportation to help with these remaining costs.

Lexington Water System

The System has several construction projects in process at June 30, 2016. Commitments for these projects are described below.

The utility relocation projects involving the Bypass Highway are all on hold by the Tennessee Department of Transportation (TDoT). The sewer bypass project has estimated costs of \$157,205 with an estimated \$136,450 remaining to complete this project. The System has \$39,338 that is to be reimbursed by TDoT to help with these remaining costs. The water bypass project has estimated costs of \$165,550 with and estimated \$108,577 remaining to complete this project. The System has \$40,468 that is to be reimbursed by TDoT to help with these remaining costs.

City of Lexington

The General Fund has an upcoming sidewalk/multimodal project with costs of \$664,775. The City has been approved for a \$631,536 grant to help fund this project. As of June 30, 2016 the City had recognized \$47,091 in construction in process on this project.

**4.I. PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments were made on the Natural Gas System and the Water System to record deferred outflows related to pensions at June 30, 2015. A credit was made for \$87,400 on the Gas System and \$143,492 on the Water System.

**CITY OF LEXINGTON, TENNESSEE  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**4.J. EXTRAORDINARY ITEM – Electric Department**

On March 30, 2010, the Board of Directors agreed to give the now former Assistant General Manager, Jimmy Stanfill, a severance amount of \$40,000 and an early retirement incentive program in exchange for him giving up employment after 37 years. The incentive program included health insurance costs as well as other retirement benefits for a period of time. USI Consulting estimated that it would take approximately \$375,000 to fund the early incentive program promised to Mr. Stanfill. The retirement plan had no preparations made for early payouts, and since that is exactly what the Board approved for Mr. Stanfill, there was discussion on how to proceed. Mr. Stanfill's lawsuit came to a close in fiscal year 2016 with a four year payment plan in the amount of \$287,674 to be paid to Mr. Stanfill.

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**JUNE 30, 2016**

	City 2014	City 2015	LES 2014	LES 2015
<b>Total pension liability</b>				
Service Cost	\$ 406,855	\$ 423,129	\$ 207,035	\$ 215,136
Interest	793,037	872,786	700,229	706,762
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	-	-	-	819,077
Change of assumptions	-	237,578	-	159,411
Benefit payments, including refunds of employee contributions	(196,839)	(107,243)	(1,402,188)	(233,539)
<b>Net change in total pension liability</b>	<b>1,003,053</b>	<b>1,426,250</b>	<b>(494,924)</b>	<b>1,666,847</b>
<b>Total pension liability - beginning</b>	<b>10,263,610</b>	<b>11,266,663</b>	<b>9,817,757</b>	<b>9,322,833</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 11,266,663</b>	<b>\$ 12,692,913</b>	<b>\$ 9,322,833</b>	<b>\$ 10,989,680</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 509,921	\$ 510,282	\$ 663,487	\$ 663,487
Contributions - employee	268,022	263,830	148,508	138,780
Net investment income	1,272,111	193,153	1,088,227	135,350
Benefit payments, including refunds of employee contributions	(196,839)	(107,243)	(1,402,188)	(233,539)
Administrative expense	(1,250)	(33,279)	(505)	(295)
Net change in plan fiduciary net position	1,851,965	826,743	497,529	703,783
<b>Plan fiduciary net position - beginning</b>	<b>7,506,819</b>	<b>9,358,784</b>	<b>6,402,609</b>	<b>6,900,138</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 9,358,784</b>	<b>\$ 10,185,527</b>	<b>\$ 6,900,138</b>	<b>\$ 7,603,921</b>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 1,907,879</b>	<b>\$ 2,507,386</b>	<b>\$ 2,422,695</b>	<b>\$ 3,385,759</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	83.07%	80.25%	74.01%	69.19%
<b>Covered-employee payroll</b>	\$ 4,075,748	\$ 4,251,846	\$ 2,412,526	\$ 2,341,064
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	46.81%	58.97%	100.42%	144.63%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
SCHEDULES OF PLAN CONTRIBUTIONS  
JUNE 30, 2016

	<u>City 2014</u>	<u>City 2015</u>	<u>LES 2014</u>	<u>LES 2015</u>
Actuarially determined contribution	\$ 428,197	\$ 486,860	\$ 663,487	\$ 366,403
Contributions in relation to the actuarially determined contribution	<u>509,921</u>	<u>510,282</u>	<u>663,487</u>	<u>663,487</u>
Contribution deficiency (excess)	<u><u>\$ (81,724)</u></u>	<u><u>\$ (23,422)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 4,075,748	\$ 4,251,846	\$2,412,526	\$ 2,341,064
Contributions as a percentage to covered payroll	12.51%	12.00%	27.50%	28.34%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**The accompanying notes are an integral part of these financial statements.**

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF PENSION PLAN INVESTMENT RETURNS  
FISCAL YEARS ENDING JUNE 30,**

	<b>City 2014</b>	<b>City 2015</b>	<b>LES 2014</b>	<b>LES 2015</b>
Annual money-weighted rate of return, net of investment expense	16.32%	2.02%	17.24%	1.91%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**The accompanying notes are an integral part of these financial statements.**

**CITY OF LEXINGTON, TENNESSEE**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2016**

**Notes to Schedule**

*Valuation date:* January 1. Since the plan year is equal to a calendar year, contributions are determined on a calendar year basis. The amount displayed represents the contribution for the plan year beginning within the fiscal year.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Individual Entry Age Normal, level percentage of compensation
Amortization method	Level dollar, closed
Remaining amortization period	30
Asset valuation	Market value of plan assets adjusted to phase in asset gains and losses after January 1, 2002 over a 5-year period at a rate of 20% per year. Assets are further limited to a 20% corridor around market value
Inflation	3.5 percent
Salary increases	4.00%
Investment Rate of Return	7.50%
Retirement age	Age 62 or current age if later
Mortality	2014 IRS Static Mortality Table for the year of valuation

\*This is a summary of the methods and assumptions for the 1/1/15 Actuarial Valuation

**The accompanying notes are an integral part of these financial statements.**

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSETS**  
**TEACHER LEGACY PENSION PLAN of TCRS**  
**JUNE 30, 2016**

	<u>2014</u>	<u>2015</u>
Lexington City School's proportion of the net pension asset	0.104835%	0.102809%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (17,035)	\$ 42,114
Lexington City School's covered payroll	\$ 4,114,750	\$ 3,848,655
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	-0.414002%	1.094254%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%

Note 1. The amounts presented were determined as of June 30 of the prior fiscal year.

Note 2. This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS  
TEACHER LEGACY PENSION PLAN of TCRS  
JUNE 30, 2016**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution (ADC)	\$ 365,390	\$ 347,918	\$ 299,727
Contribution in relation to the actuarially determined contribution	<u>365,390</u>	<u>347,918</u>	<u>299,727</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lexington City School's covered payroll	\$ 4,114,749	\$ 3,848,655	\$ 3,315,557
Contributions as a percentage of Lexington City School's covered payroll	8.88%	9.04%	9.04%

Note 1. This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.



**CITY OF LEXINGTON, TENNESSEE  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
 TEACHER RETIREMENT PLAN of TCRS  
 JUNE 30, 2016**

	<b>2015</b>
Lexington City School's proportion of the net pension asset	0.103052%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (4,146)
Lexington City School's covered payroll	\$ 214,117
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	-1.94%
Plan fiduciary net position as a percentage of the total pension liability	127.46%

Note 1. The amounts presented were determined as of June 30 of the prior fiscal year.

Note 2. This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS  
TEACHER RETIREMENT PLAN of TCRS  
JUNE 30, 2016**

	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution (ADC)	\$ 5,353	\$ 7,802
Contribution in relation to the actuarially determined contribution	<u>8,565</u>	<u>12,483</u>
Contribution deficiency (excess)	<u>\$ (3,212)</u>	<u>\$ (4,681)</u>
Lexington City School's covered payroll	\$ 214,117	\$ 312,068
Contributions as a percentage of Lexington City School's covered payroll	4.00%	4.00%

Note 1. This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	Special Revenue						Debt Service		Capital Projects	Total Other Governmental Funds	
	State Street Aid	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	General Sinking Fund	School Debt Fund		Post Office Fund
<b>ASSETS</b>											
Cash and cash equivalents	\$ 18,978	\$ 146,715	\$ 149,821	\$ 100	\$ 1,593	\$ 9,419	\$ 206,259	\$ 58,581	\$ -	\$ 503,960	\$ 1,095,426
Other receivables	-	148	-	-	-	-	-	-	-	13,775	13,923
Due from other funds	-	-	-	50,406	-	-	-	-	-	-	50,406
Grants receivable	-	14,150	-	-	-	-	-	-	-	245,000	259,150
Prepaid insurance	-	-	-	18,629	-	-	-	-	-	-	18,629
Inventory	-	-	22,025	-	-	-	-	-	-	-	22,025
Due from other governments	38,280	239,859	-	-	-	-	-	-	-	-	278,139
<b>TOTAL ASSETS</b>	<b>\$ 57,258</b>	<b>\$ 400,872</b>	<b>\$ 171,846</b>	<b>\$ 69,135</b>	<b>\$ 1,593</b>	<b>\$ 9,419</b>	<b>\$ 206,259</b>	<b>\$ 58,581</b>	<b>\$ -</b>	<b>\$ 762,735</b>	<b>\$ 1,737,698</b>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>LIABILITIES</b>											
Accounts payable	\$ -	\$ 26,621	\$ -	\$ -	\$ -	\$ -	\$ 946	\$ -	\$ -	\$ -	\$ 27,567
Accrued liabilities	-	-	-	5,931	-	-	-	-	-	-	5,931
Unearned revenues	-	-	4,548	-	-	-	123,529	-	-	234,391	362,468
Due to other funds	-	-	-	428	-	-	-	-	-	-	428
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>26,621</b>	<b>4,548</b>	<b>6,359</b>	<b>-</b>	<b>-</b>	<b>124,475</b>	<b>-</b>	<b>-</b>	<b>234,391</b>	<b>396,394</b>
<b>FUND BALANCES</b>											
Nonspendable											
Inventory	-	-	22,205	-	-	-	-	-	-	-	22,205
Prepaid expenses	-	-	-	18,629	-	-	-	-	-	-	18,629
Restricted											
State street aid	57,258	-	-	-	-	-	-	-	-	-	57,258
School food authority	-	-	145,093	-	-	-	-	-	-	-	145,093
E-citation fund	-	-	-	-	-	9,419	-	-	-	-	9,419
Drug fund	-	-	-	-	-	-	81,784	-	-	-	81,784
Solid waste	-	-	-	44,147	-	-	-	-	-	-	44,147
Assigned											
DARE fund	-	-	-	-	1,593	-	-	-	-	-	1,593
Debt service	-	374,251	-	-	-	-	-	58,581	-	-	432,832
Capital projects	-	-	-	-	-	-	-	-	-	528,344	528,344
<b>TOTAL FUND BALANCES</b>	<b>57,258</b>	<b>374,251</b>	<b>167,298</b>	<b>62,776</b>	<b>1,593</b>	<b>9,419</b>	<b>81,784</b>	<b>58,581</b>	<b>-</b>	<b>528,344</b>	<b>1,341,304</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 57,258</b>	<b>\$ 400,872</b>	<b>\$ 171,846</b>	<b>\$ 69,135</b>	<b>\$ 1,593</b>	<b>\$ 9,419</b>	<b>\$ 206,259</b>	<b>\$ 58,581</b>	<b>\$ -</b>	<b>\$ 762,735</b>	<b>\$ 1,737,698</b>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2016

	State Street Aid Fund	School Tax Fund	School Food Service Fund	Solid Waste Collection Fund	Dare Fund	Police E-citation Fund	Police Drug Fund	Debt Service		Capital Projects	Total Other Governmental Funds
								General City Sinking Fund	School Debt Fund	Post Office Fund	
<b>Revenues:</b>											
Taxes	\$ -	\$ 1,354,927	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 141,609	\$ 1,496,536
Intergovernmental	210,383	14,150	429,213	-	-	-	-	-	-	-	653,746
Charges for services	-	-	201,693	668,426	-	-	-	-	-	-	870,119
Fines, forfeitures, and penalties	-	-	-	-	-	5,340	56,403	-	-	-	61,743
Other revenue	36	24,795	3,018	7,141	100	18	1,249	196,052	-	13,453	245,862
<b>Total Revenues</b>	<b>210,419</b>	<b>1,393,872</b>	<b>633,924</b>	<b>675,567</b>	<b>100</b>	<b>5,358</b>	<b>57,652</b>	<b>196,052</b>	<b>-</b>	<b>155,062</b>	<b>3,328,006</b>
<b>Expenditures:</b>											
Current:											
Public works	198,060	-	-	580,154	-	-	-	-	-	-	778,214
Public safety	-	-	-	-	1,514	-	20,982	-	-	-	22,496
Health, welfare and recreation	-	3,497	614,896	-	-	-	-	5,133	-	11,708	635,234
Capital outlay	-	28,301	-	-	-	-	45,727	-	-	540,350	614,378
Debt Service	-	-	-	-	-	-	-	179,953	969,411	-	1,149,364
<b>Total Expenditures</b>	<b>198,060</b>	<b>31,798</b>	<b>614,896</b>	<b>580,154</b>	<b>1,514</b>	<b>-</b>	<b>66,709</b>	<b>185,086</b>	<b>969,411</b>	<b>552,058</b>	<b>3,199,686</b>
<b>Revenues over Expenditures</b>	<b>12,359</b>	<b>1,362,074</b>	<b>19,028</b>	<b>95,413</b>	<b>(1,414)</b>	<b>5,358</b>	<b>(9,057)</b>	<b>10,966</b>	<b>(969,411)</b>	<b>(396,996)</b>	<b>128,320</b>
<b>Other Financing Sources (Uses)</b>											
Sale of capital assets	-	-	-	-	-	-	2,225	-	-	-	2,225
Operating transfer in	-	2,500	-	-	2,000	-	27,205	-	969,411	-	1,001,116
Operating transfer (out)	-	(1,352,411)	-	(95,950)	-	-	(2,000)	-	-	-	(1,450,361)
<b>Total Other Financing Sources and (Uses)</b>	<b>-</b>	<b>(1,349,911)</b>	<b>-</b>	<b>(95,950)</b>	<b>2,000</b>	<b>-</b>	<b>27,430</b>	<b>-</b>	<b>969,411</b>	<b>-</b>	<b>(447,020)</b>
<b>Net Change in Fund Balances</b>	<b>12,359</b>	<b>12,163</b>	<b>19,028</b>	<b>(537)</b>	<b>586</b>	<b>5,358</b>	<b>18,373</b>	<b>10,966</b>	<b>-</b>	<b>(396,996)</b>	<b>(318,700)</b>
<b>Fund Balance at Beginning of Year, as originally stated</b>	<b>44,899</b>	<b>362,088</b>	<b>150,554</b>	<b>63,313</b>	<b>1,007</b>	<b>4,061</b>	<b>63,411</b>	<b>47,615</b>	<b>-</b>	<b>925,340</b>	<b>1,662,288</b>
<b>Change in reserve for inventory</b>	<b>-</b>	<b>-</b>	<b>(2,284)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,284)</b>
<b>Fund Balance at Beginning of Year, as restated</b>	<b>44,899</b>	<b>362,088</b>	<b>148,270</b>	<b>63,313</b>	<b>1,007</b>	<b>4,061</b>	<b>63,411</b>	<b>47,615</b>	<b>-</b>	<b>925,340</b>	<b>1,660,004</b>
<b>Fund Balance at End of Year</b>	<b>\$ 57,258</b>	<b>\$ 374,251</b>	<b>\$ 167,298</b>	<b>\$ 62,776</b>	<b>\$ 1,593</b>	<b>\$ 9,419</b>	<b>\$ 81,784</b>	<b>\$ 58,581</b>	<b>\$ -</b>	<b>\$ 528,344</b>	<b>\$ 1,341,304</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>STUDENT ACTIVITY FUND</b>	<u><b>Balance</b></u> <u><b>7/1/2015</b></u>	<u><b>Additions</b></u>	<u><b>Deductions</b></u>	<u><b>Balance</b></u> <u><b>6/30/2016</b></u>
<b>ASSETS</b>				
Cash	\$ 84,260	\$ 233,886	\$ 225,154	\$ 92,992
Accounts receivable	-	-	-	-
	<u>\$ 84,260</u>	<u>\$ 233,886</u>	<u>\$ 225,154</u>	<u>\$ 92,992</u>
 <b>Liabilities</b>				
Due to student groups	\$ 83,940	\$ 231,865	\$ 225,154	\$ 90,651
Accounts Payable	320	2,021	-	2,341
	<u>\$ 84,260</u>	<u>\$ 233,886</u>	<u>\$ 225,154</u>	<u>\$ 92,992</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE  
STATE STREET AID FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental:				
State gas and motor fuel tax	\$ 200,865	\$ 200,865	\$ 144,584	\$ (56,281)
State gas 1989 tax	-	-	23,039	23,039
State gas three cent tax	-	-	42,760	42,760
<b>Other revenues</b>				
Interest income	-	-	36	36
<b>Total revenues</b>	<u>200,865</u>	<u>200,865</u>	<u>210,419</u>	<u>9,554</u>
<b>Expenditures:</b>				
Public Works:				
Street lighting	20,000	200,000	198,060	1,940
<b>Total expenditures</b>	<u>20,000</u>	<u>200,000</u>	<u>198,060</u>	<u>1,940</u>
<b>Revenues over (under) Expenditures</b>	<u>180,865</u>	<u>865</u>	<u>12,359</u>	<u>11,494</u>
<b>Other financing sources and uses:</b>				
Transfers out	-	-	-	-
<b>Total Other financing sources and uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	180,865	865	12,359	11,494
<b>Fund Balance at Beginning of Year</b>	<u>44,899</u>	<u>44,899</u>	<u>44,899</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 225,764</u>	<u>\$ 45,764</u>	<u>\$ 57,258</u>	<u>\$ 11,494</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
SCHOOL TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes:				
Local option sales tax	\$ 1,351,500	\$ 1,351,500	\$ 1,354,927	\$ 3,427
Intergovernment revenues:				
Clean energy grant	-	-	14,150	14,150
Other revenues:				
Interest income	16,363	16,363	17,720	1,357
Contributions	-	-	7,075	7,075
<b>Total Revenues</b>	<u>1,367,863</u>	<u>1,367,863</u>	<u>1,393,872</u>	<u>26,009</u>
<b>Expenditures:</b>				
Health, Welfare and Recreation:				
Operating costs	3,200	3,200	3,134	66
Paying agent fees	1,640	1,640	363	1,277
Capital outlay	13,110	13,110	28,301	(15,191)
<b>Total Expenditures</b>	<u>17,950</u>	<u>17,950</u>	<u>31,798</u>	<u>(13,848)</u>
<b>Revenues over (under) Expenditures</b>	<u>1,349,913</u>	<u>1,349,913</u>	<u>1,362,074</u>	<u>12,161</u>
<b>Other financing sources and uses:</b>				
Transfers in	2,500	2,500	2,500	-
Transfers out	(1,352,413)	(1,352,413)	(1,352,411)	2
<b>Total Other financing sources and uses</b>	<u>(1,349,913)</u>	<u>(1,349,913)</u>	<u>(1,349,911)</u>	<u>2</u>
<b>Net Change in Fund Balances</b>	-	-	12,163	12,163
<b>Fund Balance at Beginning of Year</b>	<u>362,088</u>	<u>362,088</u>	<u>362,088</u>	-
<b>Fund Balance at End of Year</b>	<u>\$ 362,088</u>	<u>\$ 362,088</u>	<u>\$ 374,251</u>	<u>\$ 12,163</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
SCHOOL FOOD SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
<b>Revenues</b>							
Payment for lunches							
Student	\$ 80,000	\$ 65,336	\$ 65,336	\$ -	\$ -	\$ 65,336	\$ -
Adult	17,000	16,131	16,131	-	-	16,131	-
Payment for breakfast							
Student	30,000	30,810	31,044	-	-	31,044	234
USDA - lunch programs	258,000	252,873	252,873	-	-	252,873	-
USDA - breakfast programs	135,000	136,663	136,663	-	-	136,663	-
USDA - commodities	30,793	25,580	22,165	-	-	22,165	(3,415)
USDA - other	8,000	11,683	11,683	-	-	11,683	-
State matching funds	5,464	4,929	4,929	-	-	4,929	-
Federal - equipment grant	-	900	900	-	-	900	-
A La Carte sales	47,000	46,780	46,780	-	-	46,780	-
Revenues from individual schools	36,000	42,402	42,402	-	-	42,402	-
Interest income	500	500	524	-	-	524	24
Other revenues	-	2,497	2,494	-	-	2,494	(3)
<b>Total Revenues</b>	<b>647,757</b>	<b>637,084</b>	<b>633,924</b>	<b>-</b>	<b>-</b>	<b>633,924</b>	<b>(3,160)</b>
<b>Expenditures</b>							
Food supplies	270,793	278,164	271,006	-	-	271,006	7,158
Personnel expenditures							
Supervisor/director	28,728	29,423	29,423	-	-	29,423	-
Accountants and bookkeepers	18,480	18,850	18,850	-	-	18,850	-
Cafeteria personnel	179,933	168,827	162,416	-	-	162,416	6,411
Other salaries and wages	4,000	3,500	3,000	-	-	3,000	500
Inservice training	1,650	1,650	-	-	-	-	1,650
Social security	14,083	13,403	11,794	-	-	11,794	1,609
Medical insurance	60,984	52,684	51,140	-	-	51,140	1,544
Dental insurance	1,242	1,242	1,003	-	-	1,003	239
Unemployment compensation	975	975	764	-	-	764	211
Retirement	12,968	12,227	11,373	-	-	11,373	854
Employer medicare	3,293	3,359	2,758	-	-	2,758	601
Dues and memberships	250	250	22	-	-	22	228
Operations and maintenance							
Maintenance and repair	5,000	7,879	7,879	-	-	7,879	-
Nonfood supplies							
Food preparation supplies	15,693	17,035	16,356	-	-	16,356	679
Office supplies	1,000	1,000	888	-	-	888	112
Printing, stationery and forms	400	520	520	-	-	520	-
Uniforms	800	904	820	-	-	820	84
Other supplies and materials	6,000	6,251	3,953	-	-	3,953	2,298
Other							
Travel	100	100	-	-	-	-	100
Postal charges	135	135	93	-	-	93	42
Other contracted services	10,000	11,084	11,084	-	-	11,084	-
Other transportation	3,000	3,000	1,601	-	-	1,601	1,399
Inservice/staff development	5,000	6,362	6,326	-	-	6,326	36
Other charges	750	750	303	-	-	303	447
Food service equipment	2,500	2,500	1,524	-	-	1,524	976
<b>Total Expenditures</b>	<b>647,757</b>	<b>642,074</b>	<b>614,896</b>	<b>-</b>	<b>-</b>	<b>614,896</b>	<b>27,178</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>(4,990)</b>	<b>19,028</b>	<b>-</b>	<b>-</b>	<b>19,028</b>	<b>24,018</b>
<b>Fund balance - beginning of year, as previously reported</b>	<b>150,554</b>	<b>150,554</b>	<b>150,554</b>	<b>-</b>	<b>-</b>	<b>150,554</b>	<b>-</b>
<b>Change in reserve for inventory</b>	<b>-</b>	<b>-</b>	<b>(2,284)</b>	<b>-</b>	<b>-</b>	<b>(2,284)</b>	<b>(2,284)</b>
<b>Fund balance - beginning of year, as restated</b>	<b>150,554</b>	<b>150,554</b>	<b>148,270</b>	<b>-</b>	<b>-</b>	<b>148,270</b>	<b>(2,284)</b>
<b>Fund balance - end of year</b>	<b>\$ 150,554</b>	<b>\$ 145,564</b>	<b>\$ 167,298</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 167,298</b>	<b>\$ 21,734</b>

The accompanying notes are an integral part of these financial statements.



**CITY OF LEXINGTON, TENNESSEE  
SOLID WASTE COLLECTION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for Services:				
Collection charges	\$ 601,000	\$ 601,000	\$ 605,469	\$ 4,469
Landfill use fees	63,000	63,000	62,957	(43)
Other revenues:				
Miscellaneous income	7,100	7,100	7,141	41
<b>Total revenues</b>	<u>671,100</u>	<u>671,100</u>	<u>675,567</u>	<u>4,467</u>
<b>Expenditures</b>				
Public Works:				
Salaries	221,500	221,500	237,389	(15,889)
Payroll taxes	18,170	18,170	18,166	4
Hospital and health insurance	51,500	51,500	51,267	233
Workers compensation insurance	15,400	15,400	16,185	(785)
Unemployment insurance	575	575	572	3
Utilities	2,200	2,200	2,102	98
Telephone	500	500	489	11
Consultant's services	700	700	656	44
Tires, flats, etc.	3,800	3,800	3,797	3
R&M vehicles	6,200	6,200	6,102	98
R&M machinery and equipment	4,000	4,000	3,732	268
R&M grounds	200	200	149	51
R&M buildings	100	100	96	4
R&M other	3,100	3,100	3,026	74
Office supplies	700	700	663	37
Operating supplies	250	250	226	24
Other operating	32,500	32,500	32,333	167
Janitorial supplies	400	400	363	37
Clothing and uniforms	2,250	2,250	2,210	40
Fuel supplies	23,500	23,500	23,265	235
Consumable tools	100	100	87	13
Small items of equipment	500	500	329	171
Safety supplies	1,100	1,100	1,045	55
Insurance	8,000	8,000	8,514	(514)
Tipping fees	150,000	150,000	149,808	192
Permit fees	3,100	3,100	3,075	25
Soil testing	3,350	3,350	3,326	24
Bad debt expense	6,000	6,000	9,382	(3,382)
New cell	1,800	1,800	1,800	-
<b>Total expenditures</b>	<u>561,495</u>	<u>561,495</u>	<u>580,154</u>	<u>(18,659)</u>
<b>Revenues over (under) expenditures</b>	<u>109,605</u>	<u>109,605</u>	<u>95,413</u>	<u>(14,192)</u>
<b>Other financing sources and uses:</b>				
Transfers in (out)	(93,000)	(93,000)	(95,950)	(2,950)
Insurance recoveries	-	-	-	-
<b>Total other financing sources and uses</b>	<u>(93,000)</u>	<u>(93,000)</u>	<u>(95,950)</u>	<u>(2,950)</u>
<b>Net change in fund balances</b>	16,605	16,605	(537)	(17,142)
<b>Fund Balance at Beginning of Year</b>	<u>63,313</u>	<u>63,313</u>	<u>63,313</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 79,918</u>	<u>\$ 79,918</u>	<u>\$ 62,776</u>	<u>\$ (17,142)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE  
DARE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other revenues:				
Miscellaneous	\$ -	\$ -	\$ 100	\$ 100
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
<b>Expenditures:</b>				
Public Safety:				
Public relations	2,000	2,500	1,514	986
<b>Total expenditures</b>	<u>2,000</u>	<u>2,500</u>	<u>1,514</u>	<u>986</u>
<b>Revenues over (under) expenditures</b>	<u>(2,000)</u>	<u>(2,500)</u>	<u>(1,414)</u>	<u>1,086</u>
<b>Other financing sources and uses:</b>				
Transfers in	2,000	2,000	2,000	-
<b>Net change in fund balances</b>	-	(500)	586	1,086
<b>Fund Balance at Beginning of Year</b>	<u>1,007</u>	<u>1,007</u>	<u>1,007</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 1,007</u>	<u>\$ 507</u>	<u>\$ 1,593</u>	<u>\$ 1,086</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE  
E-CITATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND  
ACTUAL  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines, forfeitures, and penalties:				
Police fines and fees	\$ 5,160	\$ 5,160	\$ 5,340	\$ 180
Other revenues:				
Interest income	-	-	18	18
<b>Total revenues</b>	<u>5,160</u>	<u>5,160</u>	<u>5,358</u>	<u>198</u>
<b>Expenditures:</b>				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>5,160</u>	<u>5,160</u>	<u>5,358</u>	<u>198</u>
<b>Other financing sources and uses:</b>				
Transfer in	-	-	-	-
<b>Total other financing sources and uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	5,160	5,160	5,358	198
<b>Fund Balance at Beginning of Year</b>	<u>4,061</u>	<u>4,061</u>	<u>4,061</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 9,221</u>	<u>\$ 9,221</u>	<u>\$ 9,419</u>	<u>\$ 198</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE  
POLICE DRUG FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines, forfeitures, and penalties:				
Drug related fines	\$ 16,000	\$ 16,000	\$ 16,395	\$ 395
Forfeitures	34,000	34,000	33,958	(42)
Sale of seized property	6,000	6,000	6,050	50
Other revenues:				
Interest income	350	350	449	99
Miscellaneous income	29,000	29,000	800	(28,200)
<b>Total revenues</b>	<u>85,350</u>	<u>85,350</u>	<u>57,652</u>	<u>(27,698)</u>
<b>Expenditures:</b>				
Public Safety:				
Vehicle tow (seized property)	1,500	1,500	1,205	295
Repair and maintenance	1,500	1,500	1,042	458
Operating costs	20,000	20,000	16,010	3,990
Educational costs	1,500	1,500	1,151	349
Other operating costs	2,000	2,000	1,574	426
Capital outlay	46,300	46,300	45,727	573
<b>Total expenditures</b>	<u>72,800</u>	<u>72,800</u>	<u>66,709</u>	<u>6,091</u>
<b>Revenues over (under) expenditures</b>	<u>12,550</u>	<u>12,550</u>	<u>(9,057)</u>	<u>(21,607)</u>
<b>Other financing sources and uses:</b>				
Sale of capital assets	-	-	2,225	2,225
Transfer in	-	-	27,205	27,205
Transfer out	(2,000)	(2,000)	(2,000)	-
<b>Total other financing sources and uses</b>	<u>(2,000)</u>	<u>(2,000)</u>	<u>27,430</u>	<u>29,430</u>
<b>Net change in fund balances</b>	10,550	10,550	18,373	7,823
<b>Fund Balance at Beginning of Year</b>	<u>63,411</u>	<u>63,411</u>	<u>63,411</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 73,961</u>	<u>\$ 73,961</u>	<u>\$ 81,784</u>	<u>\$ 7,823</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE  
DEBT SERVICE - SINKING FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other revenues:				
Rent - U. S. Post Office	\$ 196,000	\$ 196,000	\$ 196,000	\$ -
Interest income	-	-	52	52
<b>Total revenues</b>	<u>196,000</u>	<u>196,000</u>	<u>196,052</u>	<u>52</u>
<b>Expenditures:</b>				
Health, Welfare and Recreation:				
Repair and maintenance	500	500	425	75
Insurance	5,000	5,000	4,708	292
Debt Service:				
Principal payments	165,000	165,000	165,000	-
Interest payments	14,175	14,175	14,175	-
Paying agent fees	1,500	1,500	778	722
<b>Total expenditures</b>	<u>186,175</u>	<u>186,175</u>	<u>185,086</u>	<u>1,089</u>
<b>Revenues over (under) expenditures</b>	<u>9,825</u>	<u>9,825</u>	<u>10,966</u>	<u>1,141</u>
<b>Other financing sources and uses:</b>				
Transfer out	-	-	-	-
<b>Net change in fund balances</b>	9,825	9,825	10,966	1,141
<b>Fund Balance at Beginning of Year</b>	<u>47,615</u>	<u>47,615</u>	<u>47,615</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 57,440</u>	<u>\$ 57,440</u>	<u>\$ 58,581</u>	<u>\$ 1,141</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE  
DEBT SERVICE - SCHOOL DEBT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Debt Service:				
Principal payments	775,000	775,000	769,926	5,074
Interest payments	205,000	205,000	199,485	5,515
Paying agent fees	-	-	-	-
<b>Total expenditures</b>	<u>980,000</u>	<u>980,000</u>	<u>969,411</u>	<u>10,589</u>
<b>Revenues over (under) expenditures</b>	<u>(980,000)</u>	<u>(980,000)</u>	<u>(969,411)</u>	<u>10,589</u>
<b>Other financing sources and uses:</b>				
Transfers in	<u>980,000</u>	<u>980,000</u>	<u>969,411</u>	<u>(10,589)</u>
<b>Total other financing sources and uses</b>	<u>980,000</u>	<u>980,000</u>	<u>969,411</u>	<u>(10,589)</u>
<b>Net change in fund balances</b>	-	-	-	-
<b>Fund Balance at Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE  
CAPITAL PROJECTS - POST OFFICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Liquor taxes	\$ 140,000	\$ 140,000	\$ 141,609	\$ 1,609
Intergovernmental revenues:				
Park grant	244,000	244,000	-	(244,000)
Other revenues:				
Interest income	1,500	1,500	1,653	153
Fireworks contributions	12,500	12,500	11,800	(700)
Miscellaneous	183,215	183,215	-	(183,215)
<b>Total Revenues</b>	<u>581,215</u>	<u>581,215</u>	<u>155,062</u>	<u>(426,153)</u>
<b>Expenditures:</b>				
Health, welfare and recreation:				
Fireworks	11,275	11,275	11,275	-
Public functions	150	150	150	-
Museum improvements	225	225	222	3
Animal shelter	65	65	61	4
Capital projects	569,500	569,500	540,350	29,150
<b>Total Expenditures</b>	<u>581,215</u>	<u>581,215</u>	<u>552,058</u>	<u>29,157</u>
<b>Revenues over (under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>(396,996)</u>	<u>(396,996)</u>
<b>Other financing sources and uses:</b>				
Transfers in	-	-	-	-
<b>Net Change in Fund Balances</b>	-	-	(396,996)	(396,996)
<b>Fund Balance at Beginning of Year</b>	<u>925,340</u>	<u>925,340</u>	<u>925,340</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 925,340</u>	<u>\$ 925,340</u>	<u>\$ 528,344</u>	<u>\$ (396,996)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**JUNE 30, 2016**

<b>Levy for Year</b>	<b>Tax Rate</b>	<b>Assessed Value</b>	<b>Original Tax Levy</b>	<b>Outstanding Taxes Beginning</b>	<b>Taxes Levied</b>	<b>Releases and Adjustments</b>	<b>Collections</b>	<b>Outstanding Taxes Ending</b>
2016	\$1.23	\$ 127,758,556	\$ 2,124,966	\$ -	\$ 2,124,966	\$ -	\$ -	\$ 2,124,966
2015	1.23	174,738,487	2,155,335	2,119,225	36,110	(565)	2,057,706	97,064
2014	1.23	175,884,882	2,163,382	89,452	-	237	77,992	11,697
2013	1.23	176,525,774	2,171,302	3,842	-	243	3,996	89
2012	1.23	176,045,704	2,165,379	1,371	-	775	255	1,891
2011	1.23	172,560,623	2,122,526	188	-	-	-	188
2010	0.86	160,123,486	1,377,074	-	-	-	-	-
2009	0.86	160,348,230	1,378,984	-	-	-	-	-
2008	0.86	157,854,649	1,357,547	-	-	-	-	-
2007	0.86	161,370,663	1,387,770	-	-	-	-	-
2006	0.86	163,746,473	1,408,213	-	-	-	-	-
2005	0.71	166,009,807	1,156,947	-	-	-	-	-
2004	0.75	147,415,262	1,084,969	-	-	-	-	-
2003	0.75	140,461,875	1,081,818	-	-	-	-	-
2002	0.75	135,825,925	1,018,798	-	-	-	-	-
2001	0.75	129,764,140	1,018,037	75	-	(75)	-	-
				<u>\$ 2,214,153</u>	<u>\$ 2,161,076</u>	<u>\$ 615</u>	<u>\$ 2,139,949</u>	<u>\$ 2,235,895</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - GENERAL LONG-TERM DEBT**  
**JUNE 30, 2016**

Year Ending June 30,	Capital Outlay - 2005		EESI Loan		2004 - QZAB Bonds		Refunding Bond Series 2003		Refunding Bond Series 2012		Bond Series 2009		Refunding Bond Series 2010		Refunding Bond Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 50,000	\$ 3,038	\$ 35,232	\$ -	\$ 75,529	\$ -	\$ 180,000	\$ 4,860	\$ 305,000	\$ 145,186	\$ 45,000	\$ 49,954	\$ 395,000	\$ 39,146	\$ 18,501	\$ 4,481	\$ 1,104,262	\$ 246,665
2018	50,000	1,013	35,232	-	75,529	-	-	-	310,000	140,612	45,000	48,604	400,000	29,900	19,548	4,295	935,309	224,424
2019	-	-	35,232	-	75,529	-	-	-	315,000	135,962	50,000	47,199	410,000	18,750	20,246	4,101	906,007	206,012
2020	-	-	35,232	-	75,529	-	-	-	320,000	129,662	50,000	44,699	420,000	6,300	20,944	3,878	921,705	184,539
2021	-	-	35,232	-	75,528	-	-	-	325,000	123,260	55,000	42,698	-	-	21,642	3,596	512,402	169,554
2022	-	-	26,436	-	-	-	-	-	335,000	116,355	55,000	40,499	-	-	22,340	3,281	438,776	160,135
2023	-	-	-	-	-	-	-	-	340,000	108,817	55,000	38,299	-	-	23,039	2,835	418,039	149,951
2024	-	-	-	-	-	-	-	-	350,000	100,318	60,000	36,099	-	-	23,737	2,373	433,737	138,790
2025	-	-	-	-	-	-	-	-	360,000	91,568	60,000	33,699	-	-	24,784	1,899	444,784	127,166
2026	-	-	-	-	-	-	-	-	365,000	82,118	60,000	31,224	-	-	25,831	1,403	450,831	114,745
2027	-	-	-	-	-	-	-	-	375,000	72,262	65,000	28,674	-	-	26,878	886	466,878	101,822
2028	-	-	-	-	-	-	-	-	385,000	61,950	70,000	25,830	-	-	17,450	349	472,450	88,129
2029	-	-	-	-	-	-	-	-	395,000	50,400	70,000	22,767	-	-	-	-	465,000	73,167
2030	-	-	-	-	-	-	-	-	410,000	38,550	75,000	19,687	-	-	-	-	485,000	58,237
2031	-	-	-	-	-	-	-	-	420,000	26,250	85,000	16,312	-	-	-	-	505,000	42,562
2032	-	-	-	-	-	-	-	-	420,000	13,125	90,000	12,487	-	-	-	-	510,000	25,612
2033	-	-	-	-	-	-	-	-	-	-	90,000	8,325	-	-	-	-	90,000	8,325
2034	-	-	-	-	-	-	-	-	-	-	90,000	4,162	-	-	-	-	90,000	4,162
	<u>\$ 100,000</u>	<u>\$ 4,051</u>	<u>\$ 202,596</u>	<u>\$ -</u>	<u>\$ 377,644</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 4,860</u>	<u>\$ 5,730,000</u>	<u>\$ 1,436,395</u>	<u>\$ 1,170,000</u>	<u>\$ 551,218</u>	<u>\$ 1,625,000</u>	<u>\$ 94,096</u>	<u>\$ 264,940</u>	<u>\$ 33,377</u>	<u>\$ 9,650,180</u>	<u>\$ 2,123,997</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - WATER SYSTEMS**  
**JUNE 30, 2016**

Year Ending June 30,	2012 General Obligation Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 245,231	\$ 59,397	\$ 210,000	\$ 227,758	\$ 155,000	\$ 15,290	\$ 610,231	\$ 302,445
2018	259,112	56,945	215,000	221,458	155,000	11,687	629,112	290,090
2019	268,366	54,353	220,000	214,740	160,000	7,350	648,366	276,443
2020	277,620	51,401	230,000	203,740	165,000	2,475	672,620	257,616
2021	286,874	47,653	235,000	194,540	-	-	521,874	242,193
2022	296,128	43,494	245,000	185,140	-	-	541,128	228,634
2023	305,382	37,571	255,000	175,340	-	-	560,382	212,911
2024	314,636	31,464	265,000	165,140	-	-	579,636	196,604
2025	328,517	25,171	280,000	154,540	-	-	608,517	179,711
2026	342,398	18,601	295,000	142,990	-	-	637,398	161,591
2027	356,279	11,753	305,000	130,452	-	-	661,279	142,205
2028	231,354	4,627	320,000	117,108	-	-	551,354	121,735
2029	-	-	335,000	103,109	-	-	335,000	103,109
2030	-	-	350,000	88,368	-	-	350,000	88,368
2031	-	-	365,000	72,618	-	-	365,000	72,618
2032	-	-	380,000	56,194	-	-	380,000	56,194
2033	-	-	405,000	38,618	-	-	405,000	38,618
2034	-	-	430,000	19,888	-	-	430,000	19,888
	<u>\$ 3,511,897</u>	<u>\$ 442,430</u>	<u>\$ 5,340,000</u>	<u>\$ 2,511,741</u>	<u>\$ 635,000</u>	<u>\$ 36,802</u>	<u>\$ 9,486,897</u>	<u>\$ 2,990,973</u>

Note #1: The Water System has drawn \$1,541,050 on a \$2,000,000 Local Government Loan Program Bond. This amount is shown as current long-term debt.

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - NATURAL GAS FUND**  
**JUNE 30, 2016**

Year Ending June 30,	2012 General Obligation Bonds		2009 Refunding Bonds		2011 Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,268	\$ 307	\$ 55,000	\$ 63,411	\$ 315,000	\$ 21,411	\$ 371,268	\$ 85,129
2018	1,340	295	60,000	61,761	325,000	13,962	386,340	76,018
2019	1,388	281	60,000	59,886	330,000	4,950	391,388	65,117
2020	1,436	266	60,000	56,886	-	-	61,436	57,152
2021	1,484	246	65,000	54,486	-	-	66,484	54,732
2022	1,532	225	70,000	51,886	-	-	71,532	52,111
2023	1,579	194	70,000	49,086	-	-	71,579	49,280
2024	1,627	163	75,000	46,286	-	-	76,627	46,449
2025	1,699	130	75,000	43,286	-	-	76,699	43,416
2026	1,771	96	80,000	40,192	-	-	81,771	40,288
2027	1,843	61	85,000	36,792	-	-	86,843	36,853
2028	1,195	24	90,000	33,073	-	-	91,195	33,097
2029	-	-	95,000	29,136	-	-	95,000	29,136
2030	-	-	100,000	24,956	-	-	100,000	24,956
2031	-	-	100,000	20,456	-	-	100,000	20,456
2032	-	-	110,000	15,956	-	-	110,000	15,956
2033	-	-	115,000	10,868	-	-	115,000	10,868
2034	-	-	120,000	5,550	-	-	120,000	5,550
	<u>\$ 18,162</u>	<u>\$ 2,288</u>	<u>\$ 1,485,000</u>	<u>\$ 703,953</u>	<u>\$ 970,000</u>	<u>\$ 40,323</u>	<u>\$ 2,473,162</u>	<u>\$ 746,564</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - LEXINGTON ELECTRIC DEPARTMENT**  
**JUNE 30, 2016**

<b>Year Ending June 30,</b>	<b>Series 2007 Revenue Bonds</b>		<b>Series 2011 Revenue Bonds</b>		<b>Totals</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 315,000	\$ 285,687	\$ 245,000	\$ 242,793	\$ 560,000	\$ 528,480
2018	330,000	272,803	250,000	236,618	580,000	509,421
2019	345,000	259,306	255,000	230,293	600,000	489,599
2020	355,000	245,195	265,000	223,156	620,000	468,351
2021	370,000	230,676	270,000	216,806	640,000	447,482
2022	390,000	215,543	280,000	210,268	670,000	425,811
2023	405,000	199,592	290,000	202,962	695,000	402,554
2024	420,000	183,028	295,000	194,731	715,000	377,759
2025	440,000	165,849	310,000	185,656	750,000	351,505
2026	455,000	147,854	320,000	176,006	775,000	323,860
2027	475,000	129,244	335,000	165,562	810,000	294,806
2028	495,000	109,817	345,000	154,297	840,000	264,114
2029	515,000	89,571	360,000	142,176	875,000	231,747
2030	535,000	68,507	375,000	129,079	910,000	197,586
2031	560,000	46,626	390,000	114,969	950,000	161,595
2032	580,000	23,722	405,000	100,062	985,000	123,784
2033	-	-	425,000	84,234	425,000	84,234
2034	-	-	445,000	67,100	445,000	67,100
2035	-	-	465,000	48,900	465,000	48,900
2036	-	-	485,000	29,900	485,000	29,900
2037	-	-	505,000	10,100	505,000	10,100
	<u>\$ 6,985,000</u>	<u>\$ 2,673,020</u>	<u>\$ 7,315,000</u>	<u>\$ 3,165,668</u>	<u>\$ 14,300,000</u>	<u>\$ 5,838,688</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF OUTSTANDING DELINQUENT TAXES FILED WITH CHANCERY COURT**  
**JUNE 30, 2016**

<u>Tax Year</u>	<u>Outstanding Balance</u>
2014	\$ 11,697
2013	89
2012	1,891
2011	188
2009	-
2008	-
2007	-
2006	-
2005	-
2004	-
Total	<u>\$ 13,865</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF UTILITY RATES IN FORCE  
JUNE 30, 2016**

<b>GAS FUND</b>					
<b>Residential Rate</b>	<b>Minimum</b>	<b>Base Rate</b>	<b>+</b>	<b>PGA Rate</b>	
First 500 cubic feet (minimum)	\$ 6.70				
Over 500 cubic feet: Inside city (per MCF)		\$ 1.84	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 2.65	+	current PGA	= Rate Per MCF
<b>Small Commercial Rate</b>					
First 500 cubic feet (minimum)	\$ 7.50				
Over 500 cubic feet: Inside city (per MCF)		\$ 2.76	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 3.68	+	current PGA	= Rate Per MCF
<b>Medium Commercial Rate</b>					
First 1,500 cubic feet (minimum)	\$ 24.85				
Over 1,500 cubic feet: Inside city (per MCF)		\$ 2.99	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 3.91	+	current PGA	= Rate Per MCF
<b>Large Commercial Rate</b>					
First 10,000 cubic feet (minimum)	\$ 124.60				
Over 10,000 cubic feet: Inside city (per MCF)		\$ 3.11	+	current PGA	= Rate Per MCF
Outside city (per MCF)		\$ 4.03	+	current PGA	= Rate Per MCF
<b>Transport (Customer buys from 3rd party)</b>		<b>\$ 2.70</b>			
<b>Number of customers at year end:</b>	<u><u>9,060</u></u>				

+ PGA (Purchased Gas Adjustment) - This Rate is set monthly from calculations based on the average total costs associated with natural gas purchases.

**WATER SYSTEMS**

<b>INSIDE CITY LIMITS</b>	
<b>WATER RATES - RESIDENTIAL</b>	
0-2,000 gallons	\$ 12.50
All over 2,000 gallons	\$2.00 per 1,000 gallons
<b>WATER RATES - COMMERCIAL RATES</b>	
Small Commercial Rate 0-2,000 gallons	\$ 14.00
All over 2,000 gallons	\$2.15 per 1,000 gallons
Medium Commercial Rate 0-2,000 gallons	\$ 16.00
All over 2,000 gallons	\$2.25 per 1,000 gallons
Large Commercial Rate	\$ 18.00
All over 2,000 gallons	\$2.35 per 1,000 gallons
<b>OUTSIDE CITY LIMITS</b>	
<b>WATER RATES - RESIDENTIAL</b>	
0-2,000 gallons	\$ 21.00
All over 2,000 gallons	\$3.50 per 1,000 gallons
<b>WATER RATES - COMMERCIAL RATES</b>	
Small Commercial Rate 0-2,000 gallons	\$ 22.50
All over 2,000 gallons	\$3.75 per 1,000 gallons
Medium Commercial Rate 0-2,000 gallons	24.50
All over 2,000 gallons	\$3.90 per 1,000 gallons
Large Commercial Rate	26.50
All over 2,000 gallons	\$4.05 per 1,000 gallons
<b>NUMBER OF CUSTOMERS AT YEAR END:</b>	<u><u>9,879</u></u>
<b>SEWER RATES - RESIDENTIAL</b>	
0-2,000 gallons	\$ 15.00
All over 2,000 gallons	\$4.00 per 1,000 gallons
<b>SEWER RATES - COMMERCIAL RATES</b>	
Small Commercial Rate	\$ 15.00
Medium Commercial Rate	37.00
Large Commercial Rate	62.00
All over 2,000 gallons	\$4.00 per 1,000 gallons
<b>NUMBER OF CUSTOMERS AT YEAR END:</b>	<u><u>3,452</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF UTILITY RATES IN FORCE - CONTINUED  
JUNE 30, 2016

Electric Department

<b>Residential Rate Schedule - RS</b>	
Customer Charge - per delivery point per month	\$ 17.10
Energy Charges - cents per kWh	0.09347
<b>General Power Rate Schedule - GSA</b>	
<b>GSA-1 (0.50 kw)</b>	
Customer Charge - per delivery point per month	\$ 17.95
Energy Charges - per kWh	0.10611
<b>GSA-2 (51-1,000 kw)</b>	
Customer charge - per delivery point per month	\$ 89.03
Demand charge - per kw per month - First 50 kW	-
- Additional kW	13.24
Energy charge - per kw - First 15,000 kWh	0.10611
- Additional kWh	0.06229
<b>GSA-3 (1,000-5,000 kw)</b>	
Customer charge - per delivery point per month	\$ 223.58
Demand charge - per kw per month - First 1,000 kW	12.87
- Excess over 1,000 kW	15.19
Energy charge - per kW	0.06403
<b>GSB</b>	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.12
Energy charge - cents per kWh use of metered demand per month	0.08946
OffPeak:	
All kW - per kW per month	\$ 4.92
Energy charge - first 200 HUD	0.06622
Next 200 HUD	0.02306
Additional HUD	0.01989
<b>GSC</b>	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	350.00
Demand charges	
Onpeak:	
All kW - per kW per month	10.12
Energy charge - cents per kWh use of metered demand per month	0.08946
OffPeak:	
All kW - per kW per month	\$ 4.41
Energy charge - first 200 HUD	0.06622
Next 200 HUD	0.02306
Additional HUD	0.01989
<b>GSD</b>	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 10.12
Energy charge - cents per kWh use of metered demand per month	0.08946
OffPeak:	
All kW - per kW per month	\$ 4.30
Energy charge - first 200 HUD	0.06622
Next 200 HUD	0.02200
Additional HUD	0.01989
<b>MSB1</b>	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 9.52
Energy charge - cents per kWh use of metered demand per month	0.07150
OffPeak:	
All kW - per kW per month	\$ 2.14
Energy charge - first 200 HUD	0.04827
Next 200 HUD	0.02069
Additional HUD	0.01831
<b>MSC</b>	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 9.52
Energy charge - cents per kWh use of metered demand per month	0.07045
OffPeak:	
All kW - per kW per month	\$ 1.63
Energy charge - first 200 HUD	0.04722
Next 200 HUD	0.02200
Additional HUD	0.02200
<b>MSD</b>	
Customer charge - per delivery point per month	\$ 1,500.00
Administrative charge	\$ 350.00
Demand charges	
Onpeak:	
All kW - per kW per month	\$ 9.52
Energy charge - cents per kWh use of metered demand per month	0.06835
OffPeak:	
All kW - per kW per month	\$ 3.63
Energy charge - first 200 HUD	0.04512
Next 200 HUD	0.02042
Additional HUD	0.01989
<b>OL</b>	
Energy charge	0.06495

The accompanying notes are an integral part of these financial statements.

**CITY OF LEXINGTON, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**JUNE 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS</b>			
<b>Department of Economic and Community Development</b>			
CDBG DRG Sewer Line Realignment, contract #34876	14.228	"unavailable"	\$ 58,098
CDBG South Side 412 Project	14.228	"unavailable"	<u>386,583</u>
<b>Total Department of Economic and Community Development</b>			<u>444,681</u>
<b>Department of Defense</b>			
<b>State Department of General Services</b>			
Law Enforcement Support Office - Program 1033 Non-cash Assistance	12.005	n/a	<u>277,479</u>
<b>Total Department of Defense</b>			<u>277,479</u>
<b>Department of Justice</b>			
Cops Grant	N/A	2014UMWX0191	40,791
Bulletproof Vest Partnership Program	N/A	"unavailable"	<u>1,866</u>
<b>Total Department of Justice</b>			<u>42,657</u>
<b>Department of Transportation - General Government</b>			
Governor's Highway Safety Office - Network Coordinator	20.600	Z-16-GHS199	11,793
Governor's Highway Safety Office - Network Coordinator	20.600	Z-15-GHS-203	<u>8,956</u>
<b>Total for CFDA #</b>	<b>20.600</b>		<u>20,749</u>
Governor's Highway Safety Office - High Visibility	20.607	Z-16-GHS-197	9,900
Governor's Highway Safety Office - DUI Countermeasures	20.607	Z-16-GHS-198	6,863
Governor's Highway Safety Office - DUI Countermeasures	20.607	Z-15-GHS-202	<u>12,679</u>
			<u>29,442</u>
Roadscapes Project	20.205	STP-M-9407(7)	13,813
Surface Transportation Program	20.205	STP-M-9407(8)	<u>102,615</u>
			<u>116,428</u>
<b>Total Department of Transportation</b>			<u>166,619</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>931,436</u>
<b>STATE FINANCIAL ASSISTANCE</b>			
<b>Tennessee Department of Transportation</b>			
Lexington Multimodal Transportation Access Project	N/A	39LPLM-S3-025	16,275
Roadscapes Project	20.205	STP-M-9407(7)	3,453
<b>Tennessee Department of Environment and Conservation</b>			
Local Park and Recreation Grant for Swimming Pool Improvement Project	N/A	-	234,391
<b>State Law Enforcement Supplement</b>	-	-	14,400
<b>State Fire Grant Supplement</b>	-	-	<u>7,200</u>
<b>TOTAL STATE AWARDS</b>			<u>275,719</u>
<b>TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>			<u>\$ 1,207,155</u>

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Town of Lexington, Tennessee, and is presented on the accrual basis of accounting.

**Note 2: Single Audit**

Single Audit reports required by OMB Circular A-133 have been filed as part of the individual audit reports of Lexington City Schools. The awards that Lexington City Schools received have not been included in the above schedule.

**Note 3: Lexington Electric System**

The awards that Lexington Electric System received have not been included in the above schedule.

The accompanying notes are in integral part of these financial statements.



**CITY OF LEXINGTON, TENNESSEE**  
**AWWA FREE WATER AUDIT SOFTWARE: REPORTING WORKSHEET - "UNAUDITED"**  
**JUNE 30, 2016**

AWWA Free Water Audit Software: Reporting Worksheet		WAS v5.0 American Water Works Association Copyright © 2014 AWWA
<input type="checkbox"/> Click to access definition <input type="checkbox"/> Click to add a comment		<b>Water Audit Report for: Lexington Water System (0000402)</b> <b>Reporting Year: 2016 7/2016 - 6/2016</b>
<p>Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades</p> <p align="center"><b>All volumes to be entered as: MILLION GALLONS (US) PER YEAR</b></p>		
<p>To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below</p>		
<b>WATER SUPPLIED</b>		<b>Master Meter and Supply Error Adjustments</b>
Enter grading in column 'E' and 'J'		Pcnt: Value:
Volume from own sources: <input type="text" value="9"/>	1,051.151 MG/Yr	<input type="text" value="5"/> -0.25% <input type="text" value=""/>
Water imported: <input type="text" value="9"/>	MG/Yr	<input type="text" value=""/>
Water exported: <input type="text" value="9"/>	MG/Yr	<input type="text" value=""/>
<b>WATER SUPPLIED:</b>		Enter negative % or value for under-registration Enter positive % or value for over-registration
		1,053.743 MG/Yr
<b>AUTHORIZED CONSUMPTION</b>		
Billed metered: <input type="text" value="9"/>	714.013 MG/Yr	Click here: <input type="text" value="?"/> for help using option buttons below  Use buttons to select percentage of water supplied OR value  Pcnt: Value:
Billed unmetered: <input type="text" value="8"/>	0.200 MG/Yr	
Unbilled metered: <input type="text" value="9"/>	22.232 MG/Yr	
Unbilled unmetered: <input type="text" value="9"/>	13.172 MG/Yr	
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed		
<b>AUTHORIZED CONSUMPTION:</b>		Pcnt: Value:
		1.25% <input type="text" value=""/>
<b>WATER LOSSES (Water Supplied - Authorized Consumption)</b>		304.126 MG/Yr
<b>Apparent Losses</b>		
Unauthorized consumption: <input type="text" value="5"/>	2.634 MG/Yr	Pcnt: Value:
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed		
Customer metering inaccuracies: <input type="text" value="9"/>	7.437 MG/Yr	<input type="text" value="0.25%"/> <input type="text" value=""/>
Systematic data handling errors: <input type="text" value="9"/>	1.785 MG/Yr	<input type="text" value="1.00%"/> <input type="text" value=""/>
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed		
<b>Apparent Losses:</b>		<input type="text" value="0.25%"/> <input type="text" value=""/> MG/Yr
		11.856 MG/Yr
<b>Real Losses (Current Annual Real Losses or CARL)</b>		
<b>Real Losses = Water Losses - Apparent Losses:</b>		292.270 MG/Yr
<b>WATER LOSSES:</b>		304.126 MG/Yr
<b>NON-REVENUE WATER</b>		
<b>NON-REVENUE WATER:</b>		339.530 MG/Yr
= Water Losses + Unbilled Metered + Unbilled Unmetered		
<b>SYSTEM DATA</b>		
Length of mains: <input type="text" value="8"/>	680.0 miles	
Number of active AND inactive service connections: <input type="text" value="9"/>	11,126	
Service connection density: <input type="text" value="9"/>	16 conn./mile main	
Are customer meters typically located at the curbside or property line? <input type="text" value="Yes"/>		
Average length of customer service line <input type="text" value="9"/> (length of service line beyond the property boundary, that is the responsibility of the utility)		
Average length of customer service line has been set to zero and a data grading score of 10 has been applied		
Average operating pressure: <input type="text" value="5"/>	65.0 psi	
<b>COST DATA</b>		
Total annual cost of operating water system: <input type="text" value="10"/>	\$3,853,562 \$/Year	
Customer retail unit cost (applied to Apparent Losses): <input type="text" value="8"/>	\$7.52 \$/1000 gallons (US)	
Variable production cost (applied to Real Losses): <input type="text" value="8"/>	\$771.71 \$/Million gallons	<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses
<b>WATER AUDIT DATA VALIDITY SCORE:</b>		
*** YOUR SCORE IS: 84 out of 100 ***		
A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score		
<b>PRIORITY AREAS FOR ATTENTION:</b>		
Based on the information provided, audit accuracy can be improved by addressing the following components:		
<b>1: Volume from own sources</b>		
<b>2: Unauthorized consumption</b>		
<b>3: Systematic data handling errors</b>		

CITY OF LEXINGTON, TENNESSEE  
 AWWA FREE WATER AUDIT SOFTWARE:  
 SYSTEM ATTRIBUTES AND PERFORMANCE INDICATORS - "Unaudited"  
 JUNE 30, 2016



Water Audit Report for:   
 Reporting Year:

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 0 out of 100 \*\*\*

**System Attributes:**

Apparent Losses:	+	Real Losses:	<input type="text" value="11.856"/> MG/Yr
			<input type="text" value="292.27"/> MG/Yr
=		<b>Water Losses:</b>	<input type="text" value="304.126"/> MG/Yr

Unavoidable Annual Real Losses (UARL):  MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses:  Valued at **Variable Production Cost**  
 Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="32.2%"/>	
		Non-revenue water as percent by cost of operating system:	<input type="text" value="8.9%"/>	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	<input type="text" value="2.92"/>	gallons/connection/day
		Real Losses per service connection per day:	<input type="text" value="N/A"/>	gallons/connection/day
		Real Losses per length of main per day*:	<input type="text" value="1,177.56"/>	gallons/mile/day
		Real Losses per service connection per day per meter (head) pressure:	<input type="text" value="N/A"/>	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):  million gallons/year

Infrastructure Leakage Index (ILI) [CARL/UARL]:

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

The accompany notes are an integral part of these financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Aldermen  
Lexington, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lexington, Tennessee (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Lexington, Tennessee's basic financial statements and have issued our report thereon dated March 31, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2016 – 001 and SAF 2016-001 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 2016 – 002, SAF 2016 – 002 and SAF 2016 – 003.

**City of Lexington, Tennessee’s Response to Findings**

City of Lexington, Tennessee’s response to the findings identified in our audit is described above. City of Lexington, Tennessee’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**PRIOR YEAR DISPOSITIONS**

None

A handwritten signature in black ink that reads "Hochman & Associates, PLLC". The signature is written in a cursive, flowing style.

March 31, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Mayor and City Aldermen  
Lexington, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited the City of Lexington, Tennessee's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Godwin : Associates, PLLC*

March 31, 2017

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016**

***Financial Statement Findings***

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
SAF -2015-001	Inadequate Segregation of Duties (original finding #SAF 2007-01)	Repeated

***Federal Award Findings and Questioned Costs***

There were no prior findings reported.

**CITY OF LEXINGTON, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

**SECTION I – Summary of Auditor’s Results**

**Financial Statements:**

1. Our report on the financial statements of City of Lexington Tennessee is unmodified.
2. Internal Control Financial Reporting:
  - Material weakness identified? Yes
  - Significant deficiency identified? No
3. Noncompliance material to the financial statements noted Yes

**Federal Awards:**

4. Internal Control Over Major Federal Programs:
  - Material weakness identified: No
  - Significant deficiency identified? None Reported
5. Type of report auditor issued on compliance for major programs: Unmodified
6. Any Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) No
7. Identification of Major Federal Programs:
  - CFDA 14.228 – Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No

**SECTION II – Financial Statement Findings**

**CITY OF LEXINGTON, LEXINGTON GAS SYSTEM, LEXINGTON WATER SYSTEM**

**2016 – 001 INADEQUATE CONTROLS OVER SELF INSURED PLAN**

**Finding:** It was noted that the administrator of the City’s self-insured plan does not have adequate controls over payment of claims. We noted various payments made that did not appear to be made in compliance with plan guidelines.

**Recommendation:** We recommend that the City develops procedures to enhance controls over amounts paid for self-insured claims.



## CITY OF LEXINGTON – GENERAL GOVERNMENT

### 2016 – 002 EXPENDITURES EXCEEDED BUDGET

Expenditures exceeded budgeted appropriations in the Solid Waste Fund. The City should not expend unappropriated funds. However, if circumstances suggest that expenditures are expected to exceed appropriations, the budget should be amended.

**Recommendation:** Closely monitor expenses and adequately budget for expenditures to avoid overruns.

## GENERAL PURPOSE SCHOOL FUND

NONE

## SCHOOL FOOD AUTHORITY

NONE

## INTERNAL SCHOOLS FUND

### **SAF 2016 – 001 INADEQUATE SEGREGATION OF DUTIES (original finding SAF 2007-01)**

**Finding:** The duties of receiving cash, reconciling bank statements, preparing checks, and posting all transactions are handled by each individual school's bookkeeper.

Section 4, Title 2, Page 4-6 of the *Tennessee Internal School Uniform Accounting Policy Manual (TISUAPM)* details the minimum recommended internal controls. It explains that a good internal control structure cannot exist when the same person who receives cash also prepares the deposit slips, makes deposits, and reconciles the bank statement. Someone other than the person recording the cash receipts and preparing the deposit slips should make the deposit and reconcile the bank statement.

**Schools Still Deficient From the Prior Period Audit Finding:** Caywood Elementary and Lexington Middle School.

**Recommendation:** An effective internal control system provides for adequate segregation of duties. Therefore, we recommend that the principals review the current level of control and modify where deemed necessary. At a minimum, a second person should be selected to make deposits and reconcile the bank statements.

### **SAF 2016 – 002 CLOSING OF GRADUATING CLASS ACCOUNT**

**Finding:** The school failed to close out the graduating class account at the end of the fiscal year.

Section 5, Title 8, Page 5-23 of the *Tennessee Internal School Uniform Accounting Policy Manual (TISUAPM)* states the graduating class must be closed at the end of the fiscal year.

**School Becoming Deficient During the Current Audit Period:** Lexington Middle School.

**Recommendation:** The graduating class should make provisions for the disposition of unexpended money prior to graduation or the account should be closed at the end of fiscal year and the balance transferred to the general fund.

**SAF 2016 – 003 UNTIMELY BANK DEPOSITS**

**Finding:** Deposits were not made at the bank within three banking days.

Section 4, Title 2, Page 4-7 of the *TISUAPM* requires that “internal school fund money must be deposited intact (in the form and amount in which collected) in banks within three banking days after the money is received.”

**School Becoming Deficient During the Current Audit Period:** Caywood Elementary School.

**Recommendation:** We recommend that all deposits be made within three banking days after the money is received.

**SECTION III – Federal Award Findings and Questioned Costs**

NONE

**CITY OF LEXINGTON, TENNESSEE  
CORRECTIVE ACTION PLAN  
JUNE 30, 2016**

**CITY OF LEXINGTON, LEXINGTON GAS SYSTEM, LEXINGTON WATER SYSTEM**

**FINDING 2016-001 INADEQUATE CONTROLS OVER SELF INSURED PLAN**

Corrective action planned

The City is working with health care provider to initiate checks and balance of each provider payments as self-funding requests are made.

Anticipated completion date

Immediately

Responsible party

City Recorder Office

**CITY OF LEXINGTON – GENERAL GOVERNMENT**

**FINDING 2016-002 EXPENDITURES EXCEEDED BUDGET**

Corrective action planned

The City will monitor and amend the budget in a more timely manner to avoid future overruns.

Anticipated completion date

Immediately

Responsible party

Mayor and Board of Aldermen

**INTERNAL SCHOOL FUNDS**

**FINDING SAF 2016 – 001 INADEQUATE SEGREGATION OF DUTIES**

Corrective action planned

School System has employed full-time bookkeeper at each school and provided training program through attendance at workshops, accounting system vendor and in-house support from central finance office. Principals will review procedures and develop plans to implement segregation of duties within the constraints of the limited office staff.

Anticipated completion date

Immediately

Responsible party

Each individual school's principal

## **FINDING SAF 2016 – 002 CLOSING OF GRADUATING CLASS ACCOUNT**

### Corrective action planned

Transfers have been made to correct this oversight. The end of year procedure checklist has been modified to include this task to avoid oversight in the future.

### Anticipated completion date

It has already been corrected.

### Responsible party

Each individual school's principal

## **FINDING SAF 2016 – 003 UNTIMELY BANK DEPOSITS**

### Corrective action planned

We will diligently work to make daily deposits.

### Anticipated completion date

Immediately.

### Responsible party

Each individual school's principal